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ESTABLISHED 1887

U.S. Prepared to Send Forces to Escort PLO From Beirut

Assistance of 1,000 Armed Troops, in Multinational Mission, Awaits Formal Request by Lebanon

Compiled by Our Staff From Dispatches
LOS ANGELES — President Reagan said Tuesday he has agreed in principle to dispatch up to 1,000 U.S. combat troops to West Beirut for perhaps 30 days to evacuate Palestine Liberation Organization guerrillas.

Israeli tanks and artillery miners pounded West Beirut Tuesday, breaking the fifth truce there, arranged by Philip C. Habib, the U.S. special envoy to the Middle East, after less than 24 hours.

Mr. Reagan made his statement to a group of local officials from western states who had gathered to discuss his revised New Leadership program? The decision had been revealed earlier by Larry J. Speakes, deputy White House press secretary.

"The situation is too sensitive for detailed discussion, but I can

report to you that this weekend, in discussions with Mr. Habib, the government of Lebanon told us that a multinational force might be essential for temporary peacekeeping in Beirut and informally proposed that the United States consider making a contribution to that force," he said.

The Lebanese government has not made a formal proposal, but I have agreed in principle to contribute a small contingent of U.S. personnel subject to certain conditions.

Diplomatic Negotiations

He said the United States has pledged to do "all it can to find a peaceful solution to the conflict" and that Mr. Habib had been working tirelessly "to bring peace to that troubled region."

He gave no further details and

said, "Obviously, there's much work still to be done. I can't overemphasize the delicacy of these negotiations."

In Cairo, Foreign Minister Kamal Hassan Ali told the official Middle East news agency that the PLO had agreed to leave West Beirut by sea to "avert destroying the city and shedding more blood" and that France would help transport the PLO out of Beirut. But Claude Cheysson, external relations minister, said that the reports were untrue and that no firm plans had been made.

Yasser Arafat, the PLO chairman, spurned suggestions that the PLO be evacuated from Beirut under the protection of the U.S. 6th Fleet, but he did not reject the involvement of American troops in a multinational peacekeeping force

to disengage the Israeli and Palestinian armies.

In an interview with Thomas L. Friedman of The New York Times at a Beirut office of the PLO, Mr. Arafat said: "We are not in need of American help. The weapons and the 6th Fleet that helped kill my women and children cannot protect us. Definitely I won't accept it."

When asked if the PLO would accept American Marines being deployed in Beirut as part of a solution to the present crisis, Mr. Arafat said, "I am in favor of an international effort for disengagement" of Palestinian and Israeli troops around Beirut.

Mr. Arafat has insisted that an international force be deployed to separate the PLO and the Israelis before he will discuss the final decision.

tails or implement any kind of PLO withdrawal from Lebanon.

Mr. Speakes, earlier Tuesday, said that the contribution of U.S. troops for the evacuation might also involve U.S. ships. He did not say which branches of the armed services the battalion would be drawn from, but the most likely source of troops was thought to be Marines with the U.S. 6th Fleet in the Mediterranean.

Congressional Reaction

He said some members of Congress had been briefed Tuesday morning after the news first broke in Jerusalem by William P. Clark, the national security adviser, and members of his staff and State Department personnel. Congress is in a July 4 holiday recess.

Some lawmakers expressed concern in a statement, Clement J.

Zablocki, Democrat of Wisconsin and House Foreign Affairs Committee chairman, said, "I have serious reservations ... There are simply too many unanswered questions."

Howard H. Baker Jr., Senate Republican leader, speaking in Johnson City, Tenn., said he would not comment on the specific proposal, but added, "I think it is not wise to introduce American fighting men in the Mideast conflict."

Rep. G.V. Montgomery, Democrat of Mississippi, warned that Mr. Reagan should be "prepared for American casualties" if U.S. soldiers are sent into Lebanon.

Israeli officials in Jerusalem said the United States had offered to send the 6th Fleet and a detachment of Marines to supervise the Palestinian withdrawal. Israel Ra-

dio said 1,600 U.S. Marines would take over positions abandoned by the guerrillas, presumably to ward off reprisal attacks on the Moslem population by Lebanese Christian militiamen.

The radio said the guerrillas would go to several countries, including Algeria, Iraq, Egypt and Syria. It said the guerrillas had refused to go to Libya, despite that country's fervent verbal support for the Palestinian cause.

On Tuesday, heavy fighting broke out between the Israeli army and the 6,000 guerrillas trapped inside. The fighting was concentrated around the Galare Samana crossing point that connects Christian East Beirut with the predominantly Moslem west.

It was impossible to determine who started the shooting, but by late evening it was clear that the Israeli artillery entrenched in the hills overlooking West Beirut were pouring fire onto a string of Palestinian positions. The Palestinians responded with multiple rocket launchers.

The Israeli continued to block any food, water or fuel from entering West Beirut for the fourth consecutive day.

The State Department Tuesday urged Israel to lift the blockade of West Beirut to permit the transportation of relief supplies into the besieged quarter.

Meanwhile, Israeli authorities dissolved another elected Palestinian town council on the West Bank Tuesday, and Israeli troops used tear gas to disperse a student demonstration against the occupation of Lebanon.

Israel Exhibits Town Once Held by PLO

By William Branigan
Washington Post Service

DAMOUR, Lebanon — The wall where the cross once hung is riddled by bullets. Below, here the altar once stood, lies a pile of greasy engine casings and parts parts. Oil stains spot the floor of the church, which evidently had been turned into a garage and now stands empty and desolate like the rest of the town.

Next door, in a row of dimly lit stone chambers that once served as a monastery, metal bulkheads have turned amid piles of clothes, cooking utensils and various personal belongings. Palestine Liberation Organization posters and slogans over the walls.

In another part of town, the large St. Elias Church is in similar disarray. The now-departed Palestinians had apparently found a new use for this church as well: the pews inside have long since been removed, and a volleyball net stretches across the interior between two pillars.

This is the Damour now being put on display by the Israeli Army, which captured the PLO-held town 2 miles (19 kilometers) south of Beirut at the start of its invasion of Lebanon last month after pounding it relentlessly from land, sea and air.

Formerly inhabited by about 10,000 Lebanese, almost all of them Christians, Damour was overrun by Palestinian guerrillas during the 1975-76 Lebanese civil war. Its inhabitants were driven out, and the town was turned into a Palestinian military stronghold dominating the coastal road from southern Lebanon into Beirut.

During a tour Friday organized by the Israeli Army press office, reporters were taken to see the churches that had been turned into Palestinian guerrilla installations, huge arms and ammunition depots in residential buildings, and a handful of Christian families who have returned to their former homes. Access to the town is now

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The wreckage of a vehicle was found inside a church in the Lebanese town of Damour, which was recently occupied by Israeli forces. The church had been used as a camp by Palestinian guerrillas.

Nuclear Freeze Issue Puzzles U.S. Politicians

Democrats Expected to Benefit, but Experts Can't Identify Likely Victors

By Adam Clymer
New York Times Service

WASHINGTON — The nuclear freeze issue, an influence on this year's elections, is a political enigma.

Most experts on both sides of the political aisle feel that the issue will matter in this year's congressional elections, and that it will help Democrats more than Republicans because more Democrats favor a freeze. But they are hard put to identify races in which it seems to rate as a key issue.

Even after the Democrats attacked themselves fairly tightly to the nuclear freeze issue at their Philadelphia mini-convention a week ago, defining its partisan impact remains uncertain.

The freeze issue caught politicians by surprise. Most are tentative in judging it. Matt Reese, a Democratic operative, said: "It's a strong issue whose birth was recent. I didn't see it coming. I'm not smart enough to know how to use it yet."

But there are firm opinions. Nancy Smoot, the executive director of the National Republican Congressional Committee, thinks the issue can help candidates who support a freeze in states where the freeze itself is on the ballot. That list includes California, New Jersey, Rhode Island and Wisconsin. Up to six more, including New York and Michigan, may be added.

Peter D. Hart, a Democratic poll-taker, said he thought the issue would show "probably a greater impact in terms of turnout than anything else."

"I would not think it would be the major, overriding issue in many races," he said.

The probable impact of the issue is uncertain for several reasons. The terms used in discussing the freeze are technical. Polls indicate that the public is not all that certain on the question. A pro-freeze argument, therefore, is not all that hard to answer politically.

Rep. Guy Vander Jagt of Michigan, chairman of the Republican

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Congressional Committee, says the advice he offers Republicans is:

"Treat it with great, great seriousness. You take the concern seriously."

Ann F. Lewis, the political director of the Democratic National Committee, agrees that the issue could be of only limited help to Democrats because, she said, "it should be possible for any Republican with common sense to come back with an arms-control position of his own."

Another factor is that while the Democrats may be committed to the freeze, as Sen. Edward M. Kennedy said to the dismay of the party's small crew of freeze opponents.

INSIDE

They were outsiders who finally became insiders, but many of the conservative crusaders who came into office with President Reagan have grown frustrated and are resigning in increasing numbers. "The crusade is over," said one.

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In politically fractious San Francisco, there ordinarily would be little to unite members of the National Rifle Association, the radical White Panther Party and the newly formed Gays for Guns. Yet those and other diverse groups all have joined in opposing Mayor Diane Feinstein's precedent-setting plan to ban the possession and sale of handguns — a move she calls "domestic disarmament" in the wake of a spiraling homicide rate.

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neans in Philadelphia; it is far less clear to the public where the Republicans and President Reagan stand.

The president's poll-taker, Richard B. Wirthlin, says he has found a sharp rise since April in the percentage of Americans who think that Mr. Reagan wants to reduce arms and a decline in the percentage who think the president wants to build as many bombs as he can. Mr. Reagan had been urged by advisers to begin speaking out on arms control.

There is one area in which almost everyone agrees that the issue is valuable to candidates: it is believed to stimulate volunteers. Mrs. Lewis of the Democratic staff tells of a Boston-area congressional candidate getting 14 volunteers from a high school after discussing the freeze there. She adds, "That's more high school volunteers than anyone is getting on any other issue."

In La Crosse, Wis., Rick Merrill, an aide to Paul O'Farrell, a Democratic House candidate, said: "It's important to us as an organizing tool. This district runs 300 miles

up and down the Mississippi River, and that's a lot of territory to cover, so volunteers matter."

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Cairo's Jews Remain Undaunted By Public Condemnation of Israel

By Eric Pace
New York Times Service

CAIRO — From windows over Sebil el-Khayzinar Street, radios blare the latest news about the Lebanon crisis. On the sun-scorched sidewalks, news vendors hawk newspapers full of denunciations of Israel.

But behind its dusty stone wall and its palm-studded garden, the headquarters of Cairo's Jewish community is an oasis of tranquility.

"There is no trouble for us now because of Lebanon," the community's acting head, Youssef Dana, said last week. And one of its board members, Murad Gabai, said: "We have no trouble at all. The Moslem people are very polite."

Though the attitudes of many Egyptians toward Israel have soured since it launched its Lebanon offensive, leaders of the quiet,

mostly elderly Jewish community here reported that they had experienced no trouble connected with the crisis. They said Cairo's Jewish sites, which include 15 synagogues, had not been vandalized.

"We are completely friendly with the authorities here," said Mr. Dana, 64, a tax lawyer who has three of his four children at school in Israel. His other child, Ester, 7, is the youngest of the 150-member community, which traces its history back to Moses and Maimonides.

Mr. Dana said Lebanon "is not something that concerns us at all."

Other Jews here said the Egyptian government had not felt any need to increase the usual guard of riot police at such Jewish sites as the great Shaar ha-Shamayim Synagogue, which has been refurbished.

That synagogue whose Hebrew name means "Gate of Heaven" is the only one in Cairo where worship is held — on Fridays and Saturday.

They still remember the strong-willed Haim Nahum, who became grand rabbi in 1924 and died in 1960. Rabbi Nahum's frail successor, Rabbi Haim Douek, said in 1968, when only about 500 Ashkenazi and Sephardic Jews remained in Cairo, "I hope that in the future, the community will become prosperous again." It had had 80,000 members 20 years earlier.

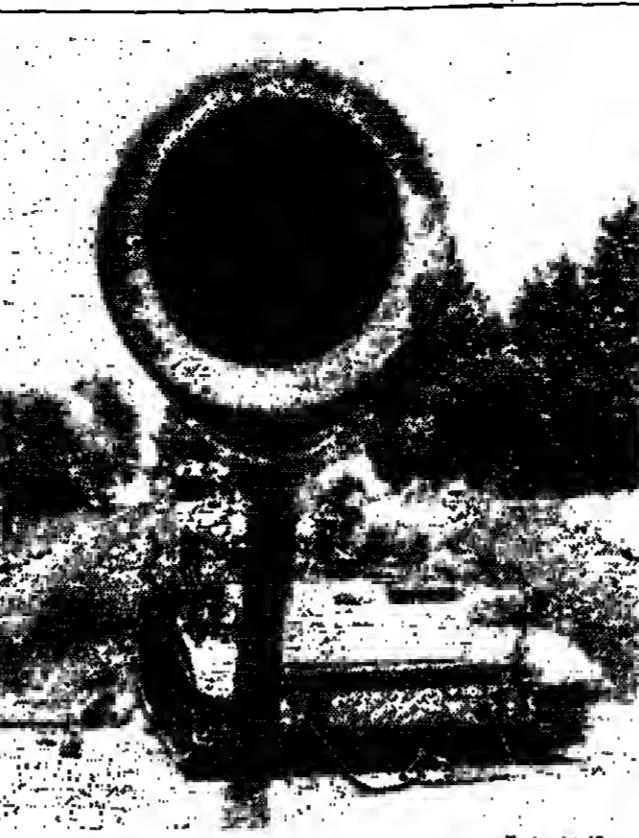
But the rabbi, like hundreds of other Jews, left Egypt after many Jewish men were imprisoned by the government of President Gamal Abdel Nasser during the 1967 Middle East war and afterward. Rabbi Douek died in New York.

The rabbi's wish has not come true, though Mr. Dana said the community had been well treated under President Anwar Sadat and his successor, Hosni Mubarak. "Even during the war of 1973," he said, "we had no trouble here at all."

But he reported that medical expenditures and other outlays for poor Jews here were a burden on the finances of the organization and that it had had to sell six synagogues in Cairo in the past 10 years to generate revenue to meet operating expenses.

All of Egypt's Jews live in Cairo, he said, except for 100 in Alexandria, where, he said, they "are in a better situation — they have some rich people there." In addition, there is a tiny group of Egyptian Karaites, members of a fundamentalist Jewish sect who did not recognize Rabbi Douek's authority.

Almost all of Cairo's Jews are over 70 and most are women, said Eli Douek, the secretary of the synagogue.



OUTSIDE BEIRUT — A 175-millimeter mobile howitzer was aimed at West Beirut shortly before a fifth cease-fire settled on the city. The cease-fire was broken Tuesday, barely 24 hours after it had begun.

Israelis Give Tour of Town Once Held by Palestinians

(Continued from Page 1)

mostly restricted at several Israeli checkpoints.

One large house, of which the Israeli guides did not seem to be aware, contained a stockpile of Soviet-made missiles and a PLO prison. The surface-to-air missiles, fired from mobile launchers, reportedly were delivered by Libya last year. A dark basement under the heavily damaged house was divided into small cells just large enough for a person to lie down.

The emphasis of the tour was on the Palestinians' sacrifice and desecration, but Damour was also the scene of awesome destruction and of fierce Israeli shelling and air strikes.

Facades of deserted buildings have not been blasted away entirely. In a few places, all that is left of

a building is a set of pillars, giving the appearance of historic ruins.

One of the tour's escort officers appeared confused when a cameraman presented him with a piece he had picked up from a cluster bomb, a deadly anti-personnel weapon sold by the United States to Israel on condition that it be used strictly for defensive purposes.

Palestinian forces originally overran Damour, formerly a stronghold of the Christian followers of former president Camille Chamoun, in reprisal for the destruction by rightist Christian militiamen of the Palestinian refugee camp of Karantina.

Both Damour and Karantina had been regarded as enemy islands in territory controlled by the opposing sides at the start of the Lebanese civil war. Damour was in a predominantly Moslem area and Karantina in mainly Christian East Beirut. Each place was the site of massacres and forced evictions.

In Damour, the house of Mr. Chamoun was blown up, and the local office of the rightist Christian Phalangist party — then a minor influence in the town — was destroyed. Today, thanks to their Israeli allies, the Phalangists are in control. Having completely subjugated the Christian militia loyal to Mr. Chamoun during the past couple of years, the Phalangists now are making plans to rebuild the town and return its Christian inhabitants.

Phalangist Control

Symbolizing the new control is a checkpoint on the town's bomb-damaged main street manned by militiamen of the Phalangist-dominated "Lebanese Forces" led by Bashir Gemayel.

In one district on the outskirts of Damour, three Christian families again occupy houses they were forced to leave when the Palestinians took over. One of the residents, Amira Abd el Noor, 19, said her family had come back a week ago after having lived in a suburb of Beirut for the last seven years.

"We feel happy about the Israelis, because we wanted to come back, damage or not," she said.

Apparently less content was Nellie Andraos, who said she had left for a year after the Palestinians invaded, then returned and stayed until a few weeks ago when the Israeli attack forced her again to leave briefly.

"That's my house over there, all fallen in," she said, pointing across the street to a heavily damaged building. "How am I supposed to stay there?" She said Israeli air raids had caused the damage. A huge bomb crater is about 20 yards away from the relative's house, in which she now stays.

Less explicable was the destruction of tin shantytowns on either side of the road to Beirut near the town of Khalde. The escort officer said that the demolished shanties had been run over by tanks, but he could not explain who had ordered the destruction or why.

Poland Sets Program to Boost Wages

Effort Is Seen to Ease 300%-400% Price Rise

The Associated Press

WARSAW — Amid skyrocketing prices for food and other consumer goods, Poland on Tuesday announced a plan to boost wages and provide Western-style incentives to workers to increase productivity.

The plan, reported by the Polish press agency PAP, appears aimed at easing the 300-percent to 400-percent price increases of February, enacted after martial law was declared Dec. 13, 1981.

Booms Payments

In its provision to "make it possible to give better wages to the best workers currently facing a wage limit," the plan also appears aimed at boosting production, which has continued to fall despite the strict discipline of martial law.

The decision to provide such incentives runs counter to the philosophy of the now-suspended Solidarity union that fought against and finally halted bonus payments and provisions for miners during its heyday last year.

PAP said the plan, approved July 1 by the Council of Ministers, the Cabinet of the country's military ruler, Gen. Wojciech Jaruzelski, allows factory and office managers to set pay on their own rather than by centrally approved guidelines.

Its only restriction is setting pay between a low of 2,800 zloties (\$35) a month, and 12,000 zloties (\$150) a month. The current monthly average wage is about 3,000 zloties.

The announcement of pay increases and incentives came amid a two-day session of parliament in which deputies criticized waste and inefficiency among workers.

One deputy, Wladyslaw Cabaj, said the need to improve efficiency in agriculture and reduce loss and waste was all the more urgent since the West had declared a "food war on Poland."

Mr. Cabaj charged in his speech that "food had become a political weapon," an apparent reference to U.S. economic sanctions that have halted the sale of chicken feed to Poland and affected its egg and chicken industry.

At the same time, he said, Poles themselves were wreaking annual production losses in their homeland due to poor work practices.

Polish officials apparently hope improved wages and incentives will prevent waste and improve quality and production, some observers said.

Western Bankers Meet

VIEENNA (AP) — Representatives of 19 Western banks met here Tuesday to discuss proposals for rescheduling Poland's 1982 commercial debt, Vienna banking sources said.

The bankers are slated to meet with officials from Bank Handlowy, Poland's foreign trade bank, on Wednesday. The meeting will be the first at which Western bankers and Handlowy officials are to discuss Poland's 1982 debts.

Pope, Prelates Confer

VATICAN CITY (AP) — Pope John Paul II and Polish Roman Catholic prelates held private talks Tuesday on a possible papal visit to Poland in August, the Vatican announced.

However, Vatican spokesman were tight-lipped about the session. The only thing they would say was that John Paul had met for an hour with Archbishop Jozef Glemp, primate of the Polish church, and five other Polish bishops.

95 Guatemala Rebels Are Reported Killed

GUATEMALA CITY — Guatemala announced that its military forces killed 95 guerrillas in the first five days of a state of siege proclaimed last week.

As a result, the report says, 50 insurgents were killed when government troops overran a guerrilla camp 120 miles (192 kilometers) northwest of the capital. No government troops were killed, the communiqué said.

Looking outside the OECD area, the report notes that surplus of the member nations of the Organization of Petroleum Exporting Countries, which hit \$113 billion in 1980 and fell to \$63 billion last year, is expected to tumble to about \$3 billion this year and then rise modestly to about \$10 billion next year.

As a result, the report says, a major export market for OECD countries will be shriveling.

The OECD data for 1981 shows that the U.S. share of the OPEC market has stabilized at 18 percent after hitting a high of 23 percent in the early 1970s, and that Japan retains the largest single share of the market, accounting for 19.4 percent of OPEC imports. In turn, these now account for 15 percent of total Japanese exports.

The Kwangju fire caused little damage and no casualties, but one South Korean student was killed and three people were injured in the Pusan fire. Kwangju is a provincial capital south of Seoul where a nine-day revolt against the government took place in May, 1980. At least 189 people were killed during the insurrection.

Mr. Chung told the Seoul District Criminal Court, where he and three other defendants stood trial, that he set the fire at the Kwangju center to show his dissatisfaction with U.S. policies in South Korea. Two of the other defendants received one-year suspended jail sentences for harboring Mr. Chung.

WORLD BRIEFS

Haig Formally Gives Up Cabinet Post

WASHINGTON — Alexander M. Haig Jr. has formally stepped down as secretary of state and has delegated responsibility for a transition period to Deputy Secretary of State Walter J. Stossel Jr., an administration spokesman said Tuesday.

The spokesman indicated that Mr. Haig would not be coming back to the State Department and that he turned over all responsibilities, including Middle East negotiations on Monday.

Mr. Shultz' confirmation hearing is scheduled to begin on July 13, an it is anticipated that he will be sworn in within a week after that. Mr. Haig resigned June 25, citing differences with the White House in the conduct of foreign policy.

2 Cuban Diplomats Expelled by U.S.

WASHINGTON — The State Department announced Tuesday the expulsion of two Cuban diplomats, including Cuba's chief intelligence operative in New York, for purchasing high-technology electronic equipment.

A department spokesman, Dean Fischer, said the expulsion was triggered Thursday when federal agents in Orlando, Fla., seized a television-monitoring system that had been purchased by the Cubans by mail from a U.S. company.

The Cubans, both attached to that country's United Nations mission, were identified as Mario Monzon Barata and Jose Rodriguez Rodriguez. They were informed by the U.S. mission to the United Nations of the expulsion order Sunday and were asked to leave the country expediently. Mr. Fischer said Mr. Monzon was Cuba's chief intelligence operative in New York.

Soviet Warning on Pipeline Reported

MOSCOW — Soviet officials have told Western businessmen to find ways of overcoming sanctions imposed by Washington last month or face stiff financial penalties for clandestine commercial sources said Tuesday.

Senior Western businessmen involved in the controversial East-West gas pipeline have been holding urgent talks in Moscow over the past week on U.S. efforts to block the project, the sources said.

President Reagan announced last month that he was extending sanctions on the supply of technical equipment for the line to cover Europe, an subsidiaries of U.S. companies as well as equipment made by European firms under license.

Vatican Banker Reported on Way Out

ROME — Pope John Paul II may remove Archbishop Paul Marcinkus, who is an American, as head of the Vatican's bank to insulate the Roman Catholic Church from a financial scandal involving a fugitive banker found dead in London, Italian news reports said Tuesday.

The leftist daily *La Repubblica* speculated about the possibility of removal. The Italian press agency AGI said some authoritative cardinals had demanded an investigation in an effort to protect the image and credibility of the Vatican.

Italy's central bank has asked Milan's Banco Ambrosiano, of which the Vatican's bank owns a small percentage, to explain \$1.4 billion in loans to three of the bank's Latin American subsidiaries, allegedly on the strength of a recommendation by Vatican bankers.

Defiance of U.K. Union Said to Grow

LONDON — British Rail said more locomotive engineers defied their union's strike orders Tuesday and returned to work, and the union accused the state-owned railroad of using "blackmail and strong-arm tactics" to force the men to come back.

British Rail spokesman said 300 engineers crossed picket lines around the country, which was 75 more than Monday, and that more than 1,100 were expected by nightfall. He said 2,500 of the 15,000 usual trains, which is twice as many as the day before, would run.

British Rail repeated its threat to fire strikers and said it could not guarantee wage payments if the strike over the introduction of flexible working hours to replace a fixed 8-hour day lasted for more than seven days.

Ecevit Sentenced by Court in Turkey

ANKARA — Former Turkish Premier Bulent Ecevit was sentenced Tuesday to 2 months and 27 days in prison on charges of breaking a military ban on political statements.

The 56-year-old former chairman of the disbanded Republican People's Party was allowed to go free pending ratification of the sentence by Ankara Martial Law Command, officials said.

Mr. Ecevit served 53 days earlier this year for a similar defiance of the military ban on political activities last year. In his defense Tuesday, Mr. Ecevit criticized the military government for its performance after the September, 1980, coup that ended civilian rule. "I am the only politician who is tried or sentenced for having expressed his views on the past or future political structure of Turkey," Mr. Ecevit said.

Compiled From Agency Dispatches

OECD Sees Short Recovery, Issues Unsettling Forecast

(Continued from Page 1) ed suggestions that they take measures to buttress domestic demand — the report states:

"The correct identification and rectification of these problems, within an internationally coherent framework, remains the demanding task facing economic policymakers in the OECD world today."

Looking outside the OECD area, the report notes that surplus of the member nations of the Organization of Petroleum Exporting Countries, which hit \$113 billion in 1980 and fell to \$63 billion last year, is expected to tumble to about \$3 billion this year and then rise modestly to about \$10 billion next year.

As a result, the report says, a major export market for OECD countries will be shriveling.

The OECD data for 1981 shows that the U.S. share of the OPEC market has stabilized at 18 percent after hitting a high of 23 percent in the early 1970s, and that Japan retains the largest single share of the market, accounting for 19.4 percent of OPEC imports. In turn, these now account for 15 percent of total Japanese exports.

The Kwangju fire caused little damage and no casualties, but one South Korean student was killed and three people were injured in the Pusan fire. Kwangju is a provincial capital south of Seoul where a nine-day revolt against the government took place in May, 1980. At least 189 people were killed during the insurrection.

Mr. Chung told the Seoul District Criminal Court, where he and three other defendants stood trial, that he set the fire at the Kwangju center to show his dissatisfaction with U.S. policies in South Korea.

Two of the other defendants received one-year suspended jail sentences for harboring Mr. Chung.

From the 5 of July to the 27 of August everyday Monday through Friday, The News in English will be presented at 10 o'clock on radio station RMC.

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Conservative Crusaders Quit Reagan Administration

Outsiders Who Became Insiders Grow Frustrated, Leave in Increasing Numbers

By David Hoffman
Washington Post Service

WASHINGTON — They were outsiders who finally became insiders, but many of the conservative crusaders who came into office with President Reagan have grown frustrated and are resigning in increasing numbers.

"The crusade is over," said one administration official, "who has returned to private business."

Norman R. Ture, one of the leading supply sides at the Treasury Department, left last week for the Heritage Foundation, the conservative think tank. Another supply sider, Paul Craig Roberts, has left Treasury for the Georgetown University Center for Strategic and International Studies.

Martin Anderson left the White House months ago to return to the Hoover Institution. Others are finding the constraints and compromises of government work not worth the trouble, still others are staying on despite frustrations.

They came to government with hopes that the Reagan years would be a chance to get their conservative, free market, supply-side, anti-Soviet convictions translated into national policy. Coming mainly from academia and think tanks, where they had been on the outside for years, they found that being on the inside was both exhilarating and exasperating.

"This administration has many, many more of these kinds of people," said Willa Johnson, a senior vice president of the Heritage Foundation who spent six months in the White House personnel office. "They are convinced their ideas will work, but they're not used to thinking in the political terms that an administration has to look at. They become impatient."

One of those recently caught up in the collision between conservative theory and practical politics is E.S. Savas, a Columbia University professor who has built his career around the idea that private enterprise should rescue troubled U.S. cities.

When he came to the Reagan administration as assistant secretary of Housing and Urban Development

Mr. Savas helped write this theme into the draft of the administration's first statement on national urban policy. The document concluded that cities had been weakened by federal aid and their future lay in "greater reliance on the free market."

But when the draft policy statement became public, touching off a furor among the nation's big city mayors, Mr. Savas was suddenly out in the cold.

White House officials announced that the policy had been sent back to the drawing board for more research. Secretary of Housing and Urban Development Samuel R. Pierce Jr. promised the mayors that it was only a draft and would "remain a draft."

The episode offered a glimpse into the ideological conflict that simmers between the administration's more pragmatic side and the conservatives who came to government determined to carry out a revolution from within.

This struggle for the administration's soul predates Inauguration Day, but lately some conservatives have decided to carry on the fight as outsiders.

Typical of them is Steve Hanke, a professor of applied economics at Johns Hopkins University in Baltimore, who took a leave of absence in June, 1981, to serve as a senior staff economist at the president's Council of Economic Advisers.

Excellent Blueprint

"What attracted me was that the president had an excellent blueprint," said Mr. Hanke, who was enthusiastic at first. "Those first few months it was a hard charge — and everyone was on the same wavelength."

But the euphoria turned to doubt. Mr. Hanke said he felt that the administration did not carry its economic revolution far enough in cutting taxes and government spending.

He said he was discouraged when his free enterprise ideas for helping the timber industry with federal timber sales did not get off the ground.

"There's a large gap between the rhetoric and the reality," he said. "Now, we're back to business as usual."

Mr. Hanke resigned and returned to Johns Hopkins with the feeling that "there are a lot of Republicans in Washington, but not a lot of Reaganites."

Joe Churba puts it another way: "Reagan without Reaganism." Mr. Churba wrote background material on the Middle East for Mr. Reagan, the presidential candidate in 1980, and later went to the Arms Control and Disarmament Agency.

A Hard-Line View

Mr. Churba takes a hard-line view of the Soviet Union and said he went into the administration with the conviction that "arms control in itself" should "not be the centerpiece of Soviet-American relations."

But he became gradually disillusioned, he said, because, for one thing, "arms control became the administration's panic reaction to the nuclear freeze movement."

Mr. Churba resigned May 7 to return to the Center for National Security, a hawkish think tank here. He has no regrets about leaving the government: "Outside is the only place to be."

When Paul Craig Roberts and others began popularizing the idea of supply-side tax cuts in 1975, "we were a minority within a minority," he recalled.

As assistant treasury secretary for economic policy, Mr. Roberts was a principal architect of the supply side tax cuts Mr. Reagan won from Congress last year.

Mr. Roberts said he expected that the revolutionary change he wanted would have to be won very largely — or not at all. "You have to get your change up front, right away, before the PK people take over," he said. "And that's what we did."

But he grew angry and frustrated when many advisers urged the president later to raise new taxes. "I think the policy is in the process of being unraveled primarily by Republicans," he said.

Mr. Ture, the other supply sider at Treasury who was outspoken against new taxes, has said he is leaving government because he needs to earn more money.

Mr. Anderson, who was Mr. Reagan's domestic affairs adviser before leaving the White House to write a book, said the attraction of being an insider dimmed after a year.

Just as the conservatives are drifting away from the Reagan administration, many liberals and consumer activists were disaffected when President Jimmy Carter was in the White House.



Martin Anderson

Aborigines See Brisbane Commonwealth Games as Forum for Protest

By Pamela G. Hollie
New York Times Service

CANBERRA, Australia — Few in number, paraded where they are not openly discriminated against, Australia's "invisible people," the aborigines, have put this country's federal and state governments on notice that they will be invisible no more.

In September, at one of the major international athletic events of the year, the Commonwealth Games, the aborigines intend to make their stand. Plans for demonstrations in the host city, Brisbane, are being drawn up.

Representatives of the National Aboriginal Conference have been meeting with African governments, urging them to boycott the competition. They have reported "favorable responses" to their cause, though no firm commitments to a boycott.

The delegation, whose legal adviser is Gough Whitlam, a former Australian prime minister, was due in Geneva this week to

speak with United Nations committees on human rights and minority affairs and to engage the attention of the international community.

"Brisbane may become Australia's battle of Wounded Knee," said Charles Perkins, chairman of the Aboriginal Development Commission, an aboriginal agency that buys land for the people. He was referring to a conflict in American history between white settlers and Indians living in the Dakota Territories.

There is hope that the Commonwealth Games will be the scene of peaceful protest, not conflict. But there can be little guarantee for in choosing the Games as a forum, the aborigines have carried their fight into what might be considered enemy territory. Brisbane is on the coast of Queensland state, which has continually defied federal anti-discrimination laws by passing state laws to the contrary.

At the heart of the aborigines' rights movement is land. The abo-

rigines want to get back the land taken from them by nonaboriginal settlers, and they want their tenure on land set aside for them by federal administrative action guaranteed by law.

A recent study by researchers at the Australian National University in Canberra pointed up the plight of aborigines. It found that only 10 percent of aborigines in New South Wales, where the national capital is located, live beyond age 49. That is about 20 years short of the life expectancy for nonaboriginal Australians.

Fifty-three percent are unemployed; the average household income, including social security, is less than \$225 a year; 75 percent of those surveyed owned less than \$115 in personal property. The statistics reflect the general status of Australia's estimated 180,000 aborigines.

But land also figures in aborigines' survival in a way few nonaboriginals comprehend. "Land is not property to these people," said Dr.

Anwar Barkat, director of the World Council of Churches program to combat racism, which is monitoring the Australian problem. "It is like their skin. To be separated from it, particularly from the sacred places or 'dreaming lands,' is to sicken and die."

To outsiders, the proposition of

returning and securing land to a beleaguered people seems fair and simple enough, particularly since the Australian government considers aboriginal land ownership central to its effort to remedy past injustices through self-determination, and especially since nothing else has worked. In the 1930s, the government tried cultural assimilation.

Programs were instituted to help aborigines adults live among the white population. By the 1960s, however, assimilation had clearly failed.

The policy did not recognize that our culture and spiritual lives were part of our very being, and if these were destroyed so were we," said Sen. Neville Bonner, a Liberal Party representative from Queensland.

Nor did the policy establish the aborigines' standing in law. Only in 1967, when a Commonwealth referendum deleted language in the Australian Constitution exempting the aborigines from constitutional protections, were they

acknowledged as Australian citizens.

Recent initiatives have also fallen short of expectations. The Racial Discrimination Act of 1975 outlawed discrimination but provided no effective means of enforcing the law. The Commission for Community Relations, a monitoring body established by the act, said in 1979 that "the greatest body of discrimination and indeed oppression is still practiced against aboriginal people."

New mineral deposits discovered on territory reserved for the aborigines are said to have encouraged Australian states to encroach on aboriginal strongholds.

French-Portuguese Accord

LISBON — France and Portugal will establish a commission to draw up an agreement on technological cooperation in the arms industry, the Portuguese defense minister, Furtado Do Amaral, said Tuesday.

Salvadoran Rebels Say Honduran Incursion May Widen Conflict

By Juan N. Vasquez
Los Angeles Times Service

MEXICO CITY — Representatives of the Salvadoran guerrilla movement say the Honduran Army's reported incursion into El Salvador threatens to widen that country's civil war into a regional conflict.

Reports during the weekend said 1,000 to 1,500 Honduran soldiers had entered Salvadoran territory to help Salvadoran government forces fight insurgents.

"This threatens the peace of all of Central America," said Eduardo Solorzano, 32, Mr. Solorzano describes himself as the No. 2 leader of the Armed Forces of National Resistance, one of El Salvador's five insurgent groups.

"We do not propose to win the war solely by military means either," Mr. Solorzano said.

"July is a very important month for us," he said, referring to a vote scheduled in the U.S. Congress this month on assistance to El Salvador.

Troops Begin Pullout

SAN SALVADOR (AP) — Troops began pulling out of northeastern Morazán province Monday after battling guerrillas for a month, an army spokesman said. A rebel radio broadcast claimed victory for the insurgents.

Mr. Solorzano was interviewed with two other rebels — Misael Gallardo of the Armed Forces of National Resistance and Napoleón Rodríguez Ruiz, a member of the Revolutionary Democratic Front. Both organizations have offices in Mexico City.

Mr. Solorzano, who said he received a medical degree from El Salvador's National University before joining the guerrillas, said Honduran troops had entered El Salvador before.

"But in those cases, they crossed the border and acted as a stationary force, trying to cut off our retreat," he said. "This time, they were actively seeking to engage in combat and they succeeded. We inflicted casualties on them."

Mr. Solorzano and Mr. Gallardo

16 Die in Honduras

TEGUCIGALPA, Honduras (AP) — Six persons reportedly were killed in bombings by guerrillas Sunday at two power plants.

The explosions Sunday night killed six workers at one of the power stations. Hospital officials said the explosions resulted in deaths of 10 hospital patients in surgery or under intensive treatment when a citywide blackout started.

China Is Seeking Ties With Angola

PEKING — China said Tuesday it was seeking normal diplomatic relations with Angola, seven years after the former Portuguese colony became independent under a Soviet-backed government.

The magazine Peking Review said China had had unofficial contacts with Angola and had suggested that the two countries establish diplomatic relations.

In January, 1979, Angola said it had accepted a request from China for talks on establishing diplomatic relations, but no progress was made. China has denounced the presence of about 7,000 Cuban troops in Angola, calling them lackeys of Moscow.

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with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable. Now you'll get more mileage for your money.

In Argentina, Grandmothers of the Missing Continue to Ask, 'Where Are the Children?'

By Dial Torgerson

Los Angeles Times Service

Buenos Aires — Some were picked up with their parents, and some were born in the camps where the military government imprisoned suspected subversives in the late 1970s. They are the missing children of the Argentine repression.

An organization of grandmothers makes endless rounds of government offices, always asking the same question: Where are the children?

"But they tell us nothing," said Enrique Estela Barnes de Carloto. "Somewhere out there, perhaps in this city, I have a grandson. Somewhere there must be a file that says where he is. No one will help me find it."

The Association of Grandmothers says there are 91 known cases in which the children of desaparecidos, or disappeared ones, are missing along with their parents.

Twenty-one were seized when their parents were killed or arrested. The others were presumably born while their mothers were in custody.

Some Adopted

In some cases, the children apparently were a valued by-product of the junta's repression, and military families who wanted to adopt children sometimes took the babies of prisoners according to testimony given to international human rights agencies.

The grandmothers have a meeting place in a small apartment in central Buenos Aires. They keep their records there and plan the rounds of government offices and courts seeking information about the missing children. They say that they are sometimes followed and

that their telephones are disconnected, but they add that no one has been arrested.

Many of the secret police agencies believed to be responsible for seizing their sons and daughters have been dismantled, and the government now denies having any political prisoners.

In the late 1970s, according to human rights agencies, 6,000 to 14,000 Argentines were seized by military security forces. The exact number is not a matter of public record. Only a few hundred are believed to have survived.

The government broke up guerrilla groups of leftists and rightists who had rocked the country with bombings, kidnappings and assassinations. But at the same time, the government seized thousands of people on the slightest evidence, perhaps for no more than having an acquaintance in the underground.

"After the baby was born, the mother was invited to write to relatives who would presumably take the child away. The victim was immediately transferred. The little one stayed behind. Then they took it away."

"From the moment of arrival, the fate of both was sealed — for the mother, transfer, for the child, an uncertain future. Under no circumstances could it be handed over to relatives, as it would be living proof of the mother's fate."

"A Lie"

Mrs. Barnes de Carloto, 51, a schoolteacher who retired to dedicate herself to finding the children, said that her daughter and son-in-law had been taken away Nov. 26, 1977, and that she had been informed of the birth of a grandson on June 26, 1978.

"Then, two months later, the police told me that she and a young man had been shot and killed in a car outside the capital when they failed to stop for a soldier's road-block. What a huge lie! She had been in a concentration camp. How could she be out driving in a car?"

In one case the grandmothers found children — sisters who had been put out for adoption through the court system. The grandmothers were able to arrange visitation rights and are pleased with the new parents, who are not connected with the military. The grandmothers believe that somewhere there are records of similar adoptions. But of the children born in captivity, they expect to find no legal record.

"But someone must know," said Maria Ferrasse de Urri, whose daughter-in-law, Susana, was 22 and three months pregnant when she and her husband were seized in May, 1976. "In November of 1976, I had word that she was alive, but nothing of the child. Since then I have heard nothing."

"In 1976, my grandchild must have been born," she said. "I don't know whether it was a boy or a girl. It would be 6 years old now. Somewhere in Argentina, there is this child. I must keep searching until I find out where."

Fresh Information

"It was terribly frustrating knowing all this and not being able to relate it," he wrote. The journalists were given additional information by the local police chief, who was also a naval captain and "would come fresh from the war room to tell us things."

On one occasion, according to Mr. Winchester, the official said that a British frigate, spotted near Cape Horn, "had been ordered to sink an Exocet," an air-to-surface missile that was to prove effective for Argentina, but "last-minute orders from Buenos Aires called the attack plane home" to Rio Gallegos, a nearby port.

Mr. Winchester wrote that he had been accused of using binoculars while waiting for a commercial flight to Rio Grande, also nearby, "to observe Daggars, Aeromachis and a solitary Neptune anti-submarine plane" take off. "I took notes," he acknowledged, and ventured to ask a waiting pilot to identify the passing hardware."

Medical Examination

He also said that after he had admitted meeting on three occasions with British military attaches an Argentine judge declared that the conversations "were as among

U.S. Jet Skids on Takeoff

The Associated Press

BOISE, Idaho — A Republic Airlines DC-9 jetliner skidded off the end of a runway on takeoff at the Boise airport Monday as the pilot tried to stop the plane because of a warning light, officials said. None of the 79 passengers was injured.

Medical Examination

He also said that after he had admitted meeting on three occasions with British military attaches an Argentine judge declared that the conversations "were as among

San Francisco Gun Ban Sets Stage for Showdown in Courts

By Philip Hager
Los Angeles Times Service

SAN FRANCISCO — Ordinarily there would be little to unite the National Rifle Association, the White Panther Party and Gays for Guns.

Yet in politically fractious San Francisco, those and other diverse groups have joined in opposing Mayor Dianne Feinstein's plan to ban the possession and sale of handguns, a move she calls "domestic disarmament."

San Francisco is going ahead with the ban, and the stage is set for a legal test of the power of municipalities to control guns. At issue is whether the city has power to regulate firearms in view of state laws on the subject and the U.S. Constitution's Second Amendment guarantee of the right to keep and bear arms.

"Calls to my office are running four to one against the ban," said Supervisor Carol Ruth Silver, a member of the recently organized Committee Against Confiscation of Handguns. "People feel they're threatened with crime and violence and that they need handguns for self-protection. They intend to defy the law."

If and when the ban takes effect, she said she will replace her handgun with a shotgun. "My home will not be defenseless," she said.

The San Francisco homicide rate jumped 16 percent last year and half of the 126 killings involved handguns.

"This is the first time in America that a large city has spoken out to say we've had enough death, desecration and dismemberment from the handgun," Mayor Feinstein said as she signed the ordinance last week.

The measure makes it a misdemeanor to sell or possess pistols in the city limits. Violators would be punished by up to 30 days in jail.

The measure exempts the police, the military, licensed target shooters and gun collectors, private investigators and security guards, as well as owners of businesses who hold a permit.

The law will not go into effect until July 28, and then gun owners will have 90 days to get rid of their

weapons or get a court injunction against enforcement.

The ordinance goes further than a California state handgun initiative scheduled to be put before the voters in November. That measure would require registration of handguns.

A spokesman for Gays for Guns

told the supervisors that homosexuals needed handguns to protect themselves from attacks. "I will try and empty all six rounds into anyone who attempts to take it away from me, no matter what they are wearing," he said.

When the measure came up for final approval, Supervisor Richard Hongisto, a former sheriff, urged its adoption, noting that there were other means available for self-protection — dogs, burglar alarms, window bars and rifles. "Rifles are very good for killing," Mr. Hongisto said. "If you feel that you need to kill someone entering your home, I suggest you consider a rifle."

Supervisor Quentin Kopp said the ban would be futile because of dubious legality. The district attorney said he believed the ordinance was unconstitutional.

It nevertheless passed by a vote

of 6 to 4. Now the battle shifts to the courts.

Across San Francisco Bay, Berkeley passed a similar ban last week but delayed implementation pending a test of its legality. Other proposed bans are pending in the nearby communities of Sunnyvale and Palo Alto.

San Francisco's legal argument against the constitutional argument is that the right to bear arms is a collective right for common defense, not an individual right. Lawyers for the city are encouraged by a recent ruling in a U.S. District Court in Illinois upholding a handgun ban enacted by the village of Morton Grove.

The state constitution sets forth "inalienable rights," among them, "defending life and liberty, acquiring, possessing and protecting property, and pursuing and obtaining safety, happiness and privacy."

Supervisor Silver, an attorney, says a handgun ban would discriminate against minorities and persons with low incomes. "Where the police are unable to offer adequate protection, particularly in less affluent communities, it is a denial of equal protection to take self-defense mechanisms away from the people," she said.

The space shuttle's heat tiles can withstand temperatures reaching 1,650 degrees Celsius (3,000 Fahrenheit) upon re-entering the atmosphere. Sunday, for the first time, all 31,000 returned intact.

NASA Official Reports Columbia Returned in 'Really Good Shape'

By Nicson Himmel
Los Angeles Times Service

EDWARDS AIR FORCE BASE, Calif. — Columbia, the space shuttle, came through its seven-day voyage in "really good shape," according to James F. Harrington, ground operations manager for the National Aeronautics and Space Administration.

Mr. Harrington said Monday after a preliminary examination that only about 20 of the heat protective tiles on the shuttle were damaged. And for the first time, Columbia returned with all of its 31,000 tiles intact. The tiles protect the orbiter from the furnace-like heats of re-entry into the Earth's atmosphere.

Minor Engine Leak

The astronauts, Capt. Thomas K. Mattingly and Henry W. Hartman, were reported resting and in good shape at their homes in Houston, where the Johnson Space Center is located.

Mr. Harrington reported only one other mishap, what he termed a "very, very minor leak" in a for-

ward thruster engine after landing. The engine lost less than a quart of its oxidizer fluid from the seat, he said.

There was less damage to the underside of the DC-9 sized fuselage this time because of the landing on the concrete runway at Edwards, Mr. Harrington said.

The underside had formerly been paved by pieces of gravel and clay when landing on the lakebed at Edwards or White Sands Air Force Base in New Mexico.

All of this, Mr. Harrington said, gives me inclination to bring it home next time."

He was speaking of the concrete runway at Kennedy Space Center at Cape Canaveral, Fla. The Columbia ended its roll 4,160 feet from the end of the 15,000-foot concrete runway, the same length as Kennedy Space Center's concrete runway.

Present plans are to place the Columbia on a 747 carrier plane at NASA's research center here and then fly it piggyback to Florida on July 15.

Portuguese Train Derails

Air Force Lt. Gen. James A. Abrahamson, manager of the shuttle program, said that Columbia could go on its fifth mission in late October if the two firms that have contracted to supply two satellites for its payload are ready to go.

One satellite, owned by Satellite Business Systems, will be for digital industry and business communications. The other will be owned by Telesat Canada Ltd. It will be for voice communication and television coverage.

The payload doors of the shuttle, which have caused problems on previous missions, appeared to have fired well and should open up on command to launch the two satellites into an orbit at about 22,500 miles above Earth.

The "baking" that was done in orbit as Columbia gently rolled appeared to have benefited the tiles, Mr. Harrington said. The damage that was caused to about 400 of the tiles by a hail storm the day before launch was cleared up by the heat of the solar rays.

Room for 2 More

According to police records, an undercover police officer posing as a student bought a handful of methamphetamine pills in the school parking lot from students she knew only as "Jeff" and "Tim."

To determine Jeff's last name as "Qualiaude" Covington.

His lawyer, Paul F. Carnes, thinks it should have been adjudged police negligence, but Texas law states that a law officer cannot be held liable for an honest mistake.

"I had heard about people setting up in jail for stuff they didn't do. I was afraid I wasn't going to get out of it," he recalled.

Inconsistencies soon began to emerge. Mr. Covington was home sick the day he supposedly sold drugs to the undercover officer. The other suspect told Mr. Covington his mother he had never seen her son.

His mother turned her evidence over to an assistant district attorney who arranged a meeting between Mr. Covington and Janice Jenkins, the undercover police officer.

"When we first brought Jeff into the room, she kept scrutinizing his face," his lawyer said. "Then she asked him to speak. After he spoke a sentence, she thought just a second [and said] 'No, that's not the

John Watts,
Composer,
Dies in U.S.

New York Times Service

NEW YORK — John Watts, 32, a composer whose works and performances helped popularize the electronic synthesizer as a musical instrument, died Friday.

Mr. Watts composed more than 100 works for concert, dance, film and theater. As a master of the synthesizer, Mr. Watts put on many concerts in such auditoriums as the John F. Kennedy Center for the Performing Arts in Washington, Alice Tully Hall at Lincoln Center and the Museum of Modern Art in New York.

Sir Geoffrey Keynes
LONDON (AP) — Sir Geoffrey Keynes, 35, a surgeon and scholar whose brother was the late economist John Maynard Keynes, died Monday. He wrote an biography of William Harvey.

He was chairman of the National Portrait Gallery from 1958-1966. He also helped produce the ballet "Job," set to music by Ralph Vaughan Williams, in 1931. Knighted in 1955, Sir Geoffrey was over 90 when he began his autobiography, "The Gates of Memory" which appeared in 1981.

Hugh Lynn Cayce
VIRGINIA BEACH, Va. (UPI) — Hugh Lynn Cayce, a psychic phenomena specialist, died Sunday of cancer.

An author and lecturer, Mr. Cayce was chairman of the board of the Association for Research and Enlightenment. His father, Edgar Cayce, was a well-known clairvoyant.

Ramon Ormazabal
Bilbao, Spain (AP) — Ramon Ormazabal, 72, president and charter member of the Basque Communist Party, died Monday following a heart attack.

Col. Gen. Ivan Gubin
MOSCOW (AP) — Col. Gen. Ivan Gubin, 60, chief of the political department of the Soviet command in East Germany, has died, Tass reported Monday.

Russian Resumes Hunger Strike for Right to Emigrate

United Press International
MOSCOW — Yuri Balovienkov, a Soviet citizen who has not received an exit visa that he said was promised to him during a 43-day hunger strike, resumed fasting Monday for the right to join his wife and daughter in the United States.

Mr. Balovienkov, 33, was one of seven members of the Divided Families Group who stopped eating on May 10. They were seeking permission to join their spouses in the West.

He was the last one to end his fast, entering a hospital and accepting food on June 21, when he reported receiving word from the authorities that he would be allowed to leave the country.

INTERNATIONAL BUSINESS OPPORTUNITIES

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NASA officials are so confident of Columbia's performance, Mr. Harrington said, that they will disconnect its emergency ejection system at Cape Canaveral along with some experimental test systems. This will permit the carrying of two additional passengers. They will be astronauts who are mission specialists and will occupy two seats below the pilots' flight deck.

Primary area of interest is the MIDDLE EAST

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Refugees in General ...

From THE WASHINGTON POST:

The first refugees to arrive in America came ashore at Plymouth in 1620. The Pilgrims, fleeing religious persecution in their homeland, were not like their fellow Englishmen who had settled in Jamestown 13 years earlier. The first Virginians were well established, secure, even prominent in their homeland but came to the New World seeking economic opportunity. Both kinds of settlers found what they were looking for, as did millions of others who came in a virtually unrestricted stream for another 300 years.

After World War I, numerical quotas for immigrants were adopted, but no special category was provided for those fleeing from persecution. After World War II, however, it became clear that Americans wanted to assume a special obligation for persons who were victims of persecution, and it was decided to admit such refugees in numbers over and above the quota for regular immigrants. In the 1940s, America took in hundreds of thousands of persons who had been displaced by the war and had fled their communist homelands. After the Vietnam War, it assumed the indisputable responsibility to accept and resettle *all* a million Indochinese. More recently, Congress has been asked to grant special asylum to 125,000 Cubans and Haitians who arrived in 1980.

In 1980, Congress enacted legislation to create a framework for the admission of refugees that would be both fair and flexible. A definition of "refugee" was adopted: a person who is unable or unwilling "... to return to his country because of persecution or a well founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion." Fifty thousand such persons can be admitted each year, and if he believes it is necessary the president can admit an unlimited additional number as long as he notifies Congress. Last year that number rose to 217,000.

Because the quota for regular immigrants fills up rapidly, more and more would-be Americans are claiming refugee status and asking for admission in that category. Because admissions for refugees are virtually unlimited, it is easy to see why this status is

desirable. It is terribly difficult, however, to put people in simple categories. Most immigrants move for a combination of reasons, as so many of the earlier immigrants did. Catholics were not happy in British Ireland. Jews suffered discrimination in Eastern Europe and Huguenots in Catholic France; but they also came because they wanted a better life economically. One would be hard pressed to call them either refugees from persecution or economic immigrants, since they were both.

This is the dilemma faced by the Immigration and Naturalization Service in sorting out the demands of more than 100,000 Haitians. Ethiopians, Nicaraguans and others who have claimed asylum — refugee status — in the United States. The test is not whether their country of origin is less than a perfect democracy, but whether each applicant, as an individual, would suffer persecution if he returned to his homeland. Unless a personal jeopardy can be demonstrated, the applicant is considered an ordinary immigrant and must wait at the end of a very long line.

The magnitude of this problem increases daily. War in Central America has brought tens of thousands. A comparable number of Haitians has already arrived, and the government estimates that another 40,000 are in the Bahamas waiting to immigrate if their compatriots are granted refugee status. The state of Florida, in particular, is hard pressed to care for these aliens. 70 percent of whom are now receiving some form of welfare from state and federal governments.

The burning desire of so many refugees and immigrants to come is a tribute. They come not simply because America is prosperous but also because it is free. The sad fact is that Americans are no longer able to follow humanitarian instincts and accept, as has been done for so many years, anyone who wants to come. Because of economic conditions and the need to maintain social and political stability, the flow must be regulated and hard choices made about who will be admitted. As a result, distinguishing real refugees from the hundreds of thousands of desperately poor people who simply want a chance in the United States is becoming the most difficult and painful choice of all.

... and in Particular

From THE NEW YORK TIMES:

What is it about 1,910 pitiful Haitian migrants that makes otherwise reasonable Reagan administration officials so relentless? The Haitians are poor, ragged, black people desperate to escape poverty or persecution. If they can show the likelihood of persecution back home, they can stay, legitimate refugees. If not, they must return. The issue has been what to do with them in the meantime.

Throughout the year the Haitians have had a choice: Go back to Haiti, where many face beatings, extortion and death, or stay in the detention camps. Most have stayed.

How do they feel about it? Suicidal, for one thing. Some swallow shards of glass, try hanging themselves with trousers, cut their wrists. Just since April there have been 30 suicide attempts or "suicidal gestures." Federal psychiatrists report a "rather alarming increase" in mental disturbance.

The fault is not in the principle of detention. The United States has a right to control its borders. It has a duty to protect applicants patiently waiting for legal admission against gate crashers, however pitiful. What is wrong is that, as the case has dragged on, the most creative, humane policy the U.S. government could contrive was to keep them locked up.

Last month it looked as if the administration was finally willing to bring mercy to bear. Attorney General Smith proclaimed an "experimental" release program. But even that program would not have let many out, or soon. A few days later it was improved on by a judge in Miami who ordered all the Haitians released (except for 53 held in Brooklyn, part of another case).

It is hard to see why the Justice Department lawyers would object to the judge's plan. They admit that it is not so different from their own. The Haitians would be released only if sponsors approved by the Immigration Service. They would have to report weekly, to assure they don't disappear before their refugee-status hearings. If the government wishes to deter other Haitians, there is no barrier to the detention of new illegal migrants. Nevertheless, the judge's plan is good enough for the federal lawyers. They want a court of appeals to block it.

They have to know that, win or lose, it will take the court weeks, possibly months, to rule — weeks or months longer in which most of the Haitians would have to remain in the detention camps. Why? Why such cold determination to extract the last ounce of suffering from the pitiful 1,910?

Other Editorial Opinion

Pressures of Practicality

There is no permanent settlement to be sought which does not involve Bucos Aires. "Permanent" is the word to grasp, in a world of impermanent prime ministers and deeply impermanent junta. A strictly military outcome cannot endure. The rhetoric of Fortress Falklands will wane, Governor Hunt will retire to Surrey and his memoirs. British governments will, in the end, succumb to permanent pressures in the world outside — pressures, in the future as in the past, of geography and practicality.

— The *Guardian* (London).

Britain's military success in the South Atlantic could transmute into a long-term burden. There seem no signs that Argentina will reconcile itself to defeat whatever the regime, and this would mean tying up British forces that could be better employed in NATO. The question that now has to be faced is whether the interests of the Falkland Kelpers can be served without paying a price that Britain and the West as a whole can ill afford. For the time being, London cannot do other than restore its rule, but the military decision does not eliminate the need to plan a new future acceptable to all concerned.

— *Neue Zürcher Zeitung* (Zurich).

Britain's success cannot change geography. The Falklands remain 250 miles from Argentina and half a world from England. They are

economically next to useless and can be defended only at a cost more than they are worth. Prime Minister Margaret Thatcher should let Argentina know that negotiations can be resumed after a decent interval.

Mrs. Thatcher now must resist the simplistic slogan being voiced, to the effect that if islands were worth fighting for, they are worth keeping. In the long run, they aren't.

— *Scripps Howard Newspapers*.

Angola, Cuba, Namibia

[Cuban military personnel] are in Angola at the request of the government of Angola to cooperate in the defense of the country's territorial integrity, which is constantly threatened and attacked by the racist South Africans, their mercenaries and their puppets. [The Cubans' presence] has no relation to the problem of Namibia. Raising the "Cuban troops" issue is a way of blocking the decisions of the international community.

— *The Angolan news agency ANGOP*.

It is six years since Security Council resolution 385 called for South Africa's withdrawal from Namibia and free elections. If the complex pieces do fall all into place, the search for a lasting peace in southern Africa will have taken a momentous step forward and the West's wandering credibility in Africa will have been restored.

— *The Times* (London).

JULY 7: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: On Japanese Ambition

NEW YORK — The Herald comments: "The disquieting commercial situation in the Far East and the crystallizing national sentiment in Japan to avenge the trade and power of the Asiatic seas have set forth with convincing clearness a letter published in the paper. The writer asserts that the attempt of Japan to control Eastern Asia by her own policies is manifestly unfair, because it disregards the rights granted by the treaties still in force. Britain is in a great degree responsible for this mischief by the unwise alliance that complemented the war preparedness of Japan. But the United States, the foster mother of the Japanese, is equally responsible."

— *The Guardian* (London).

1932: Costs of Prohibition

PARIS — The editorial in the Herald reads:

"The American taxpayer has a right to be pleased over the reasonable probability that within the next few years there will be a continuing decline in a letter published in the paper. The writer asserts that the attempt of Japan to control Eastern Asia by her own policies is manifestly unfair, because it disregards the rights granted by the treaties still in force. Britain is in a great degree responsible for this mischief by the unwise alliance that complemented the war preparedness of Japan. But the United States, the foster mother of the Japanese, is equally responsible."

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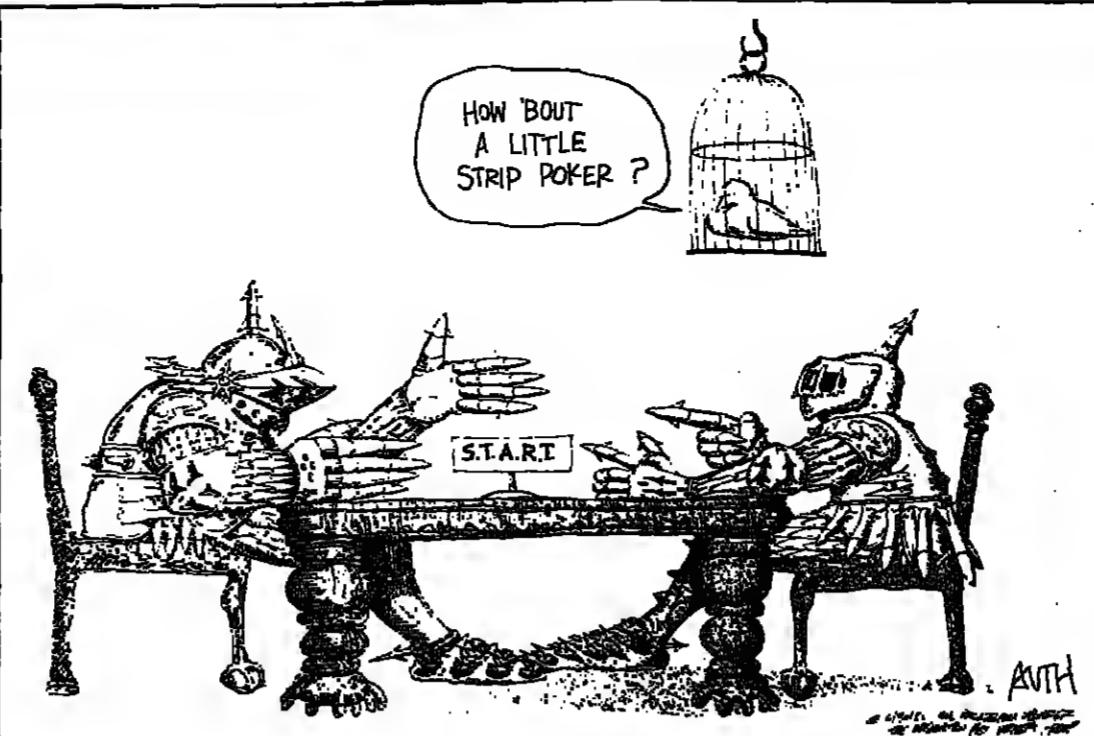
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WEDNESDAY, JULY 7, 1982



Russians Fault the U.S. 'Partner'

By Anthony Lewis

MOSCOW — An old Soviet acquaintance, who in the past was given to restraint and a certain irony in conversation, spoke grimly this time about Soviet-American relations. "We are not so thick-skinned as to brush off what Reagan says about us," he said.

"I think he is hopeless in this — so blind to the defects in his own system, so implacable toward the other. It's his hobby. And it's not only rhetoric. You can't forget that five-year defense guidance."

"With the present administration there is no hope for normality in our relations. They're too ignorant, too happy in their self-erected tower. I pray that before Reagan's term is up we are not in conflict somewhere in the world."

That is a fair sample of the tone I have found in the first few days of a visit to Moscow. My travel and government officials have sounded bitterly resentful of the Reagan administration's anti-Soviet rhetoric, and very harsh in their comments on its personalities, including the president. They have come close to saying that there is no use trying to do business with this U.S. government — but in the end they have not written off negotiation.

Some relief from the gloom comes when officials talk about the appointment of George Shultz as secretary of state. They say that they know he is a conservative, but they see him as "serious" and "businesslike." A Soviet diplomat said: "My impression is that he uses more moderate language, and in diplomacy language is important."

There were interesting threads in a long talk I had with Valentin M. Falin, deputy chief of the Central Committee's International Information Department.

Falin said the president's cam-

aign about the Soviet Union has evidently grated. There was much comment on his London speech of June 8 in which he predicted that Marxism-Leninism would be left "on the ash heap of history."

"Reagan keeps saying this country is on the edge of collapse," said one man. "[Andrei] Gromyko has cultivated eight secretaries of state in your 'short durable system!'" Another said such comments suggested that the president and his colleagues had "become victims of their own propaganda."

Soviet propagandists have said such harsh things about the United States over the years, and about capitalism, that the outrage at Reagan's words can sound hypocritical, or at least peculiar. After all, Nikita Khrushchev did say that "we will bury you." But I have the impression that the resentment people express is genuine.

Several officials said propaganda should be left to propagandists, not taken up by heads of state. That overlooks Khrushchev. But a number of Western diplomats said they thought President Reagan's rhetoric really had offended people, and was counterproductive. Factual criticism was one thing, but predictions of Soviet collapse were another.

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Begin on Haig, the PLO, Evacuation of Lebanon

By Trude B. Feldman

The writer, Washington correspondent for an international group of Jewish publications, interviewed Israeli Prime Minister Menachem Begin during his visit to the United States last month. A related but separate interview of Secretary of State Alexander Haig appears on this page yesterday.

Arabia did not become more "moderate," as some U.S. senators thought it would. On the contrary, the Saudi regime is one of the most radical in the Middle East — fanatically anti-Israel and the paymasters of the so-called PLO.

Q: Would you ever consider talking directly with Yasser Arafat?

A: Why should I talk to a man like Arafat? If he had the power and strength to destroy each one of the 3½ million Jews now living in Israel, he would do so. Now he has to look for asylum and he is not in a good situation. I think his organization is, if not completely paralyzed, very much weakened by our action.

Q: Does Israel intend to help rebuild Lebanon?

A: We very much want to help rebuild Lebanon. The task has already begun with the appointment of one of my closest associates, Yaakov Meridor. He is charged with the responsibility for working with the Lebanese people to make their cities and towns.

Q: When will you withdraw?

A: Israel doesn't want to keep

ARTS/LEISURE

Beer That Made Qingdao Famous

By Michael Weisskopf
Washington Post Service

QINGDAO, China — Except for Karl Marx, the most important German contribution to modern China may be the beer that made this city famous.

Tsingtao beer, produced here since Kaiser Wilhelm had a brewery built for German settlers in 1903, is China's premier brew. In a society short of delicacies, a bottle of Tsingtao is cherished as Havana cigars or Beluga caviar might be somewhere else.

Tsingtao has won gold medals and recently moved Red Army Marshal Ye Jianying to write a poem comparing it to a famous plum wine of classical times. When communist officials visit this resort city on the Yellow Sea, they go to the old brewery for a little inspecting and a lot of imbibing.

Three years ago, Peking mandated a new system for rendering Chinese characters into Roman letters, but although this city's spelling was changed from Tsingtao to Qingdao, no one dared to tinker with the label of a beer now exported to 30 countries.

Few other products of China's colonial past have survived 33 years of communist rule. European churches and racetracks have been razed. Rickshaws and coolies are long gone and street names have been altered.

Tsingtao beer, however, has flourished. Output has increased more than forty-fold since 1949. Even at 63 cents per bottle — about half a month's rent for many urban Chinese — supply falls far short of demand.

Like everything else that works well in communist China, Tsingtao is officially praised as a socialist virtue. "The purpose of revolution is to raise production to meet the people's demands," declared the brewery's political commissar. "Beer is just one thing people demand. In capitalist countries, the people go on strike because their demands go unanswered. That doesn't happen here."

However, the fragrant, yeasty brew is enjoyed by few socialists in China. Seven of every 10 bottles are sold abroad, reserved for capitalists who pay hard currency. Although plans are afoot to double produc-

tion, the increase would mean "We will give a little more to friendly countries," said brewery liaison officer Zhang Xiyang.

Tsingtao's formula has remained untouched since German beermakers opened the squat, red-brick brewery here almost 80 years ago. The kaiser's troops occupied this coastal town in 1897 after a German priest was killed by the Chinese. The Teutonic presence was a brief and unhappy one for the occupiers who were accused of mistreating coolies and forcibly imposing their European culture.

"If a Chinese was killed by a German, the German had to pay 20 silver dollars," said local historian Li Hai. "But when a Chinese killed a German priest, the Germans thought it was so serious they took over."

On the kaiser's birthday, the medieval Chinese town was turned into a miniature Munich with firework displays, red banners strung from archways, brass bands and, of course, flowing beer.

Mixing an old German recipe with the cool, clear springs of Lao mountain 20 miles away, Tsingtao's founders did more to elevate the kaiser's name than anything else in 17 years of German control.

For those who cannot afford or find Tsingtao, beer is served up "raw" in large plastic buckets at restaurants and parks. Sold by the ounce, it costs about one-quarter as much as a bottle of Tsingtao. Almost every small city produces its own brew, of varying quality.

Tsingtao, however, remains the Chinese king of beer, regularly rhapsodized by Chinese officials and foreign visitors. Last year, West German beer makers visited the brewery. After entering the plant, the Germans were offered cups of hot tea, the Chinese custom for welcoming travelers. The visitors asked for beer.

At banquets, the Chinese hosts toasted with the fiery Chinese spirit *miao tai*. The Germans toasted with beer. Every night after dinner, the Germans retired with several bottles of the beer.

As the delegation prepared to float off to other parts of China, the leader stopped at the brewery for a farewell visit. He thanked his hosts and sheepishly asked for two more cases of Tsingtao.

When Children Start to Swear

By Nadine Brozan
New York Times Service

NEW YORK — The child comes home from nursery school and proudly pronounces a new word — an obscenity. Its mother flinches. "Where did you learn that?" she asks with astonishment that is evident to the child. "From my friend," the child replies.

It is inevitable, according to psychiatric authorities, teachers and parents, that children will hear obscene words from friends, and, because they are so impressed with the attention the words can generate, will use them.

Discussing parental reactions, Dr. E. Gerald Dabbs, a child and adolescent psychiatrist, and an associate clinical professor of psychiatry at the Cornell University College of Medicine, said: "Most parents are startled when they hear an obscenity from a 4-year-old. Others who use the words freely themselves don't even hear it."

While such words have always provoked controversy, society has become increasingly lenient about them since Americans began bringing the language of stress back from World War II, according to Chaytor D. Mason, associate professor of human factors-psychology at the University of Southern California, Los Angeles.

As Mason, who has made a

study of coarse language, sees it, blurring it out occasionally may be healthy: "In some situations, say, when the child is fixing his wagon and hits his thumb, he could either hammer the wagon to pieces or swear to release the tension. Swearing can restore physical calm to the body and give a feeling of control."

Adults often misunderstand why children swear. Dr. Bernice Berk, psychologist at the Bank Street School for Children, said: "They may be verbalizing rather than acting out. When adults focus on the words and not the feeling, they may miss what has occurred. So instead of saying 'Don't use such language,' try saying: 'Why are you so angry? There are a lot of different ways to tell me you're angry besides those words.'"

In many cases children are not swearing because they need relief. According to the experts, children are particularly attracted to swearing during two stages of development.

The first is the nursery-school years, when they are amused by words related to excretion. It is also then that they use sexual words without having any idea what they mean. Dr. Albert J. Solnit, director of the Child Study Center at Yale University, suggests when that happens that parents admonish: "That is not a nice word and I would rather you didn't say it. If you want to know what it means I'll tell you."

The second stage is early adolescence, when the use of coarse language has different purposes. Dr. Sheldon M. Frank, a psychiatrist with a practice in Scarsdale who is clinical associate professor of psychiatry at the State University of New York's Downstate Medical Center, said: "Then it is part of the peer culture. Profanity makes boys feel that they have a tough-guy image and gets rid of any hint of homosexuality in their eyes. It also gives an aggressive tinge that allows boys to show some interest in girls while keeping a certain emotional distance."

Joan Bondy, president of the Parent-Teacher Association of Public School 59 in Manhattan, was taken aback when her older son, Joseph, now 14 years old, began to swear three years ago. "Initially I objected, but then I realized I had used the same language and decided I couldn't continue to do that and reprimand him," she related.

"I allowed him to continue for a while because he was going through a great number of changes, including starting a new school. But finally I suggested that with his interest in vocabulary, perhaps he and his friends might find other ways to make one another over the coals without using foul words. Now they're very sophisticated and they use a lot of colorful language from Shakespeare."



Lenny Skutnik at the "Gathering of the Greats."

Lenny Skutnik: Fame Is a Suitcase of Letters

By Paul Hendrickson
Washington Post Service

NEW ORLEANS — Some people are born to fame. Some people grow into it. Nowadays, when it's possible to make anyone in the United States a celebrity for 15 minutes, some people are famous just for being famous.

Nothing ever prepared Lenny Skutnik to be famous. At 28, he has a nervous smile and sad, deep eyes and a blocky body and a job running copy machines in the Congressional Budget Office. But poets find their poems, and heroes find their moments. For a single moment last Jan. 13, a man lived instantly in history. On a day when nothing alone seemed in control, and a plane was smoking in the Potomac, Lenny Skutnik threw his coat to the ground and dove into the river and floated desperately toward a woman whose eyes had rolled back in her head.

Instant Hero

Recently that same man came with some ambivalence to Louisiana to participate in something called the American Academy of Achievement. The program notes billed him as "a new and instantaneous American hero."

At the banquet, miked and beribboned like all the rest, Lenny Skutnik sat, wedged between Brooks Shields and the conquering basketball-coach of the North Carolina Tar Heels.

Down the dais were Dr. Edward Teller and the founder of Haagen-Dazs ice cream and Brig. Gen. James Dozier and Tom Landry and a 21-year-old hockey star.

In a way Lenny Skutnik was having none of it. "I know when all this is over I'm just going to be Lenny Skutnik again," he said. "It's about over now. Heroes don't think of themselves as heroes. That's just a word other people want to call them."

In the six months since the crash of Air Florida Flight 90, Lenny Skutnik has tried to remain Lenny Skutnik. He has neither left his wife Linda nor announced he is being handled by International Creative Management.

In those first mad days, the president called him. A joint session of Congress stood and applauded him. One afternoon, he and his wife Linda sat and counted. The phone rang every 10 seconds. There has been the laying on of new watches, and trips in the private jets of governors and stints on "That's Incredible."

Lenny Skutnik is sitting in a room on the 19th floor of a New Orleans hotel. Down below, the Mississippi River glows darkly to the Gulf. He clears his throat, tamps another Marlboro on a tabletop. He is trying to get this right. He is talking about a suitcase in the closet of a townhouse in Lorton, Va. There are 2,000 letters in that suitcase, carefully stowed.

"These letters are private. There are deep emotions in them. People wrote and told me they were jumping up and down in their living rooms in front of the television that day, crying screaming watching that girl drown, saying 'Do something, do something.' So I was really acting for them, don't you see? That's what it boils down to. Some of these people told me they were terrified of expressing true feelings about anything. And what that day did was bring those true feelings right out of them. They cared for that girl as much as I did."

So an anonymous federal employee, a car-pooler on I-395, with two kids and a high-school education and an annual wage of \$14,000, leaps onto the Potomac River, because someone in front of him is dying. Then or now, he doesn't know any more than this why he did it. He was there. He was healthy. Someone was crying out.

And that night a secretary from ABC's "Nightline" show arrives in Lorton in a limousine (Lenny is still not home) to tell Linda Skutnik that 10 million people, about

one minimum, are waiting to see her husband, interviewed live by Ted Koppel.

"And you think they're bad," Lenny Skutnik laughs savagely. "Channel 9, I call those folks the furniture movers. They come in, they move this here, they say, 'Move that there.' They go right for the telephone. A network correspondent I won't name brought over. Priscilla's father-in-law and stuck him in front of me on the sofa. That poor man's tear ducts were out to here. They were just waiting for him to break down in my house in front of the cameras. I wanted to take that correspondent in the back room and beat the hell out of him. That's one thing this whole experience has done for me. I can speak up now."

Priscilla is Priscilla Tirado, the woman with the streaked eyes in a nation's TV consciousness. She couldn't grab the lifeline; she got a human one instead. Now, six months later, Priscilla Tirado is down in Florida with her family, still recuperating. On Jan. 13, Flight 90 was bringing her and her Spanish husband of two months to the United States to start a life together.

"I called her up just yesterday. It was basically, 'How are you doing, how are you coping?' She sounded far away. She's still kind of lost. I don't call her a lot. I don't want her to feel she owes me anything, because she doesn't. That would be just one more thing for her to get over."

Lenny Skutnik was going to pass up the 21st annual convening of the American Academy of Achievement. In the past weeks and months, Skutnik has turned down offers to see Hawaii and Canada and Puerto Rico.

But then he figured he had never been to New Orleans. Also, he was curious about Brooke Shields, who he supposed got chosen for reasons other than his own. Then, too, his mother and stepfather live in southern Mississippi and would be able to come over for the weekend to see him.

The American Academy of Achievement is a tax-exempt, non-profit organization that holds a "gathering of the greats" once a year in a different city. Honorees seem to get chosen for a variety of reasons: who's "hot," who's rich, who's beautiful. It's the watery line where destiny and timing converge to create fame, or at least the illusion of it. The aims of the Academy are to "inspire youth with new dreams of achievement in a world of boundless opportunity. To salute all men who give their best effort to their daily tasks. To reinforce the ideals and principles that made America grow and prosper."

Said Wayne Reynolds, managing director of AAA: "Maybe Lenny Skutnik is not the chairman of AT&T, maybe he's not a famous hockey player, he's just a little guy doing the best he can."

Said Madelyn Franklin, Lenny Skutnik's mother: "I think God used him to show we could care."

Said Lenny Franklin III, Lenny Skutnik's kid stepbrother: "Kids at school ask me, 'Why don't we take all that money?' 'Why don't we take all them trips?'"

Over in a photo gallery in the French Quarter, an old Louisiana black man sweeping the floor says, more to himself than to somebody who has ventured in: "The way I see it, living is an adventure. Surviving is an art."

Haydn Scores Found

The Associated Press

SYDNEY — Four original manuscripts of the string quartets Opus 50, by the 18th-century composer Joseph Haydn have turned up in Australia. According to Australian press reports, the manuscripts, which belonged to the family of a Melbourne resident for about 200 years, have been authenticated by Dr. George Feder of the Joseph Haydn Institute in Cologne.

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Dow Jones Averages

30 Ind	795.14	795.19	795.05	795.05	1-1-91
30 T.Y.	514.00	514.42	505.95	514.00	
45 SIA	312.95	307.81	311.95	311.95	+4.21

Market Summary, July 6**Market Diaries****AMEX Stock Index**

NYSE	AMEX	Class	Prev.	Close	Chg.
287.3	246.07	100	284.42	274.74	-1.70

Standard & Poors Index

Composite	120.29	119.25	119.25	119.25	
Industrials	122.27	119.50	119.50	119.50	
Finance	122.27	119.50	119.50	119.50	
Trans.	122.27	119.50	120.00	120.00	

Odd-Lot Trading in N.Y.

Buy	Sales	100	100	100	
July 2	100.12	100.12	100.12	100.12	
June 20	102.64	102.67	102.67	102.67	
June 26	103.45	103.50	103.50	103.50	

Included in the sales figures.

Dow Jones Bond Averages

High	Low	Close	Chg.	
Bonds	100.57	100.57	100.57	
Universities	100.57	100.57	100.57	
Industries	100.57	100.57	100.57	

NYSE Index

Commons	101.00	101.50	101.50	101.50	
Industries	101.00	101.50	101.50	101.50	
Utilities	101.00	101.50	101.50	101.50	
Finance	101.00	101.50	101.50	101.50	

NYSE Most Actives

Stocks	Class	Chg.
Dom Co	1,025.10	+1.00
ContiCo	1,025.10	+1.00
NLY Corp	747.00	+1.00
Tele Sys	525.00	+1.00
PostCare	145.00	+1.00
Deutsche	145.00	+1.00
East West	145.00	+1.00
Fairchild	145.00	+1.00
Gen Motors	145.00	+1.00
IBM	145.00	+1.00
Kerr-McGee	145.00	+1.00

12 Month High Low Stock Div. Yld. P/E

Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270	100	270	270	100	

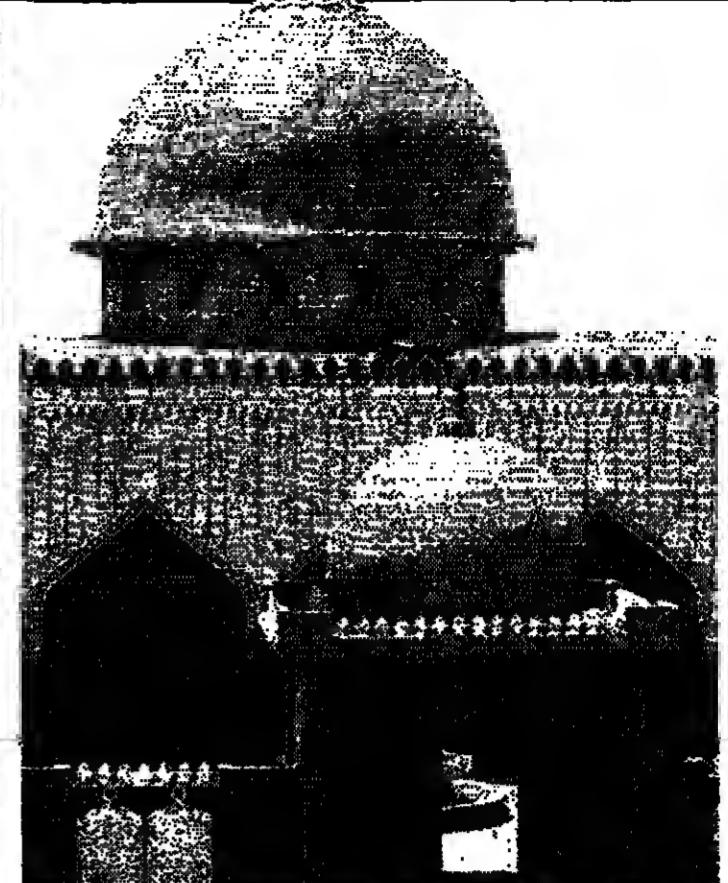
Stock Div. Yld. P/E	Close	Prev.	100	High	Low	Quot. Case
270	270					



Biology students at work in a college laboratory.



Customers dock at Arab Shipbuilding and Repair Yard, commissioned in 1977.



One of the many mosques throughout Bahrain.

Herald Tribune

Published With The New York Times and The Washington Post

*** JULY, 1982

INDUSTRY

Audacious Reserves of Natural Gas Fuel Creation of Regional Projects

In 1965, the Bahrain Petroleum Company, then the main employer on the island, sacked hundreds of Bahraini workers, firing off a series of student protests, and riots that rocked the country for three days.

The next year, according to the oral story, Prime Minister Khalifa bin Salman al-Sabah, with visions of independent workers and graduates looming before him, decided after a trip to the United States and Japan that it was time to industrialize Bahrain.

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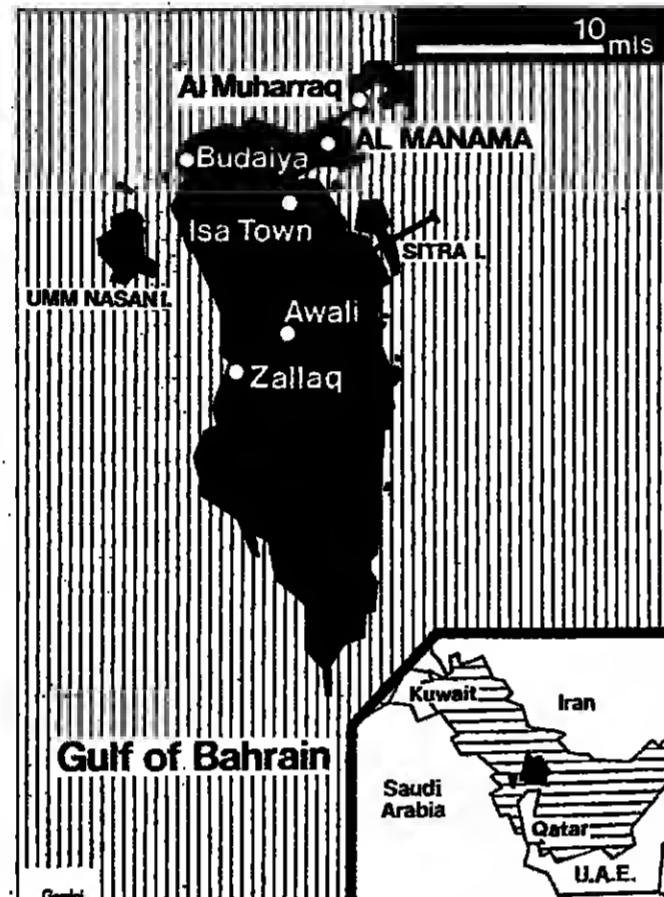
Yousef Shirawi, who is now Bahrain's minister of industry and development, He packed his bags. And thus was born the Gulf's first native-owned industry, Alba (Aluminum Bahrain).

Mr. Shirawi says the decision to go into aluminum was made June 3, 1967 — a date I remember very clearly, a date remarkable in the history of the Middle East — it also marked the start of the Arab-Israeli war of 1967.

Since then, Bahrain's wealthy neighbors, motivated by economic factors but also by the desire to prop up the poorest oil producer in the area, have decided to make Bahrain the site of several heavy industrial joint ventures. The Arab Shipbuilding and Repair Yard was built in 1977 and the Gulf Petrochemical Industries Company, the Arab Iron and Steel Company, the Heavy Oil Conversion Company, and the Gulf Aluminum Rolling Mill Company are all in incubation.

Scaling up regional heavy industry.

(Continued on Page 115)



OLD AND NEW

Royal Family Strives for Balance Between Tradition and Modernity

THE GROVES of date palms are dying, the pearling shoals have been abandoned, the traditional villas are crumbling, almost all of old Bahrain is gone, but the ruling al-Khalifa family still governs the small island much as it has for the last 200 years.

As their world changes at an increasingly rapid rate, members of the royal family seem to realize that their authoritarian tribal rule cannot continue in its present form forever. But they are caught in a quandary — how to adapt to the modern world without causing the breakdown of their fragile society, how to allow wider participation in the political process without losing control completely, how to keep the peace without becoming a police state.

"We don't want to copy what Western Europe did," says Sheikh Khalifa bin Salman bin Mohammed, the social affairs and labor minister. "We don't want to copy what Eastern Europe did either. Change must come from within. Our independence is only 11 years old. We want to just sit by ourselves and think what is best for us. Not to accept ideas imposed on us from outside."

Sitting where they are, of course, in the midst of the world's oil supply, means they are not going to be allowed to sit by themselves and think it all over at leisure. And Bahrain is just a microcosm of what is happening in the rest of the Gulf sheikhdoms, which survived the gales of Nazarism and Baathism in the 1950s and '60s and are huddling together today to survive the Khomeini hurricane.

The al-Khalifas, who are members of the Bani Utub tribe, which also includes the sheikhs of Kuwait, occupied Bahrain with their tribal allies in about 1780, taking over from Omanis Arabs who were ruling it as part of the Persian Empire. Iranian claims to the island, which Radio Tehran continues to press, date back to this time.

The native islanders, who call themselves "Bahraini," were peasants of Arab origin but of the Shia sect of Islam, the sect now made famous in the non-Moslem world by Ayatollah Khomeini. Although the question is never posed on a census, it is generally agreed that the Shia today constitute about 60 percent of the Bahraini population.

On arriving in Bahrain, the al-Khalifas, with the aid of their tribal allies, confiscated the land and set up a feudal estate system, whereby they exacted rent from the Shia peasants for the palm groves and taxed their dates. The system was administered through Shias living on the estates, who knew about palm cultivation, something the tribesmen did not. The peace was kept and tribal decisions enforced through "green field" Arabs — Sunni Arabs who have lost track of their tribal origins but whose loyalty lay with the al-Khalifas — and through foreign

(Continued on Page 125)

LEAVING THE 'OIL CLUB'

50 Years After First Well Came In, Output Dwindles and Emphasis Changes

By Leslie Mitchell
de Quilliacq

BAHRAIN'S minister of development and industry, Yousef Shirawi, loves to say it: "We were the first ones in the club and we're the first ones getting out."

Bahrain was, indeed, the first oil-rich sheikhdom in the Gulf. The first oil well came in 50 years ago. But, as Mr. Shirawi says, the oil field is now "senile" and production is decreasing at about 5 percent a year, down from its peak of about 75,000 barrels a day nine years ago to 45,000 b/d today — small, compared to the neighbors. The field, according to Mr. Shirawi, will be dead in the year 2010.

In a way this has been lucky for Bahrain. It never found itself the recipient of the immense wealth that has showered upon its neighbors and, therefore, has never experienced the acute economic and social problems that followed. It has developed a skilled national labor force rather than a population of coupon-clippers, a tolerant society rather than one antagonistic to the foreigner, and a sophisticated infrastructure that is attracting investments from the other Gulf sheikhdoms — as well as from the industrialized world.

Already, the majority of Bahrain's oil revenues come from a supply of crude that it only mar-

ginally owns. Bahrain and Saudi Arabia split the production of the offshore Abu Safa field, although only a small bit of the field lies in Bahraini waters. Estimated income from that field last year was about \$350 million.

Bahrain has nothing to do with producing the Abu Safa crude, and so the check from the Saudis who do, comes like a gift. This year that gift will be even more welcome than usual because the depressed world oil market has severely affected profits from Bahrain's own petroleum industry.

"Right now we have about five cents in our pocket," Mr. Shirawi,

will be dead in the year 2010.

Bahrain has never really been in the crude-oil business anyway. The Bahrain Petroleum Company's (Bapco) refinery on Sirra Island was built in 1936 and is still one of the largest in the Gulf. It processes all the crude produced in Bahrain plus additional Saudi Arabian Light that is imported from Saudi Arabia through a 34-mile underwater pipeline that was built in 1945. In

1979, Bahrain and the original oil concessionaire, Caltex, worked out an agreement nationalizing crude oil production in Bahrain, and at the same time the Bahraini government bought 60 percent of the Bapco refinery from Caltex.

The capacity of the refinery is about 250,000 b/d. In normal times Caltex, which is owned by Socony and Texaco, imports to the refinery about 100,000 b/d through the Saudi pipeline, an amount that is part of its allocation as a shareholder in Aramco. Bahrain imports another 100,000 b/d through the pipeline that it buys at the official price from the Saudis. To this it adds its own diminishing production. The approximately 250,000 b/d of refined products that are produced are divided on the basis of how much crude each side puts in. The government sells back about 50 percent of its allocation, or about 75,000 b/d, to Caltex under a buy-back agreement that is gradually being phased out. The petroleum marketing unit in Mr. Shirawi's ministry markets what is for export and the Bahrain National Oil Company (Banoco) markets the approximately 6,000 b/d for local consumption.

The gas associated with Bahrain's domestic crude production is sent to the Bahrain National Gas Company (Banganco). (Continued on Page 135)

Basic Data	
Area	255 square miles
Population (1980)	350,798
Capital	Manama (population 115,054)
Per capita income (1979)	\$5,800
Currency	375 fils = \$1 (1,000 fils = 1 Bahrain dinar)
Gross national product (1980, estimated)	\$2.35 billion
Exports (1980)	1.358 billion Bahrain dinars
Imports (1980)	1.313 billion Bahrain dinars
Total capital and reserves	282.7 million Bahrain dinars
National language	Arabic (English widely spoken)
Literacy	40 percent

Bahrain... a Success Story



An island nation in the heart of the Arabian Gulf where things work. As a matter of policy.

Of course, Bahrain's 5,000 year old trading tradition does help.

Any wonder then, that each year more and more business and financial institutions from all over the world are discovering the advantages of locating in Bahrain.

Business confidence in Bahrain is growing each year. In 1981, as many as 85 international companies joined the 500 international companies registered in Bahrain. The off-shore banks have increased to 80 bringing the total number of banks on the island to 200.

Over the years, astute businessmen have realized that it makes good business sense to cover the whole Middle East from their Bahrain headquarters.

The four main reasons for this are:

TELECOMMUNICATIONS: Bahrain has excellent world-wide telephone, telegraphy and facsimile links and an international database access service.

Direct international subscriber dialing to 48 countries is available.

AIR COMMUNICATIONS:

25 international airlines operate scheduled services through Bahrain. Bahrain is the administrative headquarters of Gulf Air which operates more than 200 domestic flights to other Gulf destinations.

MODERN PORT FACILITIES: The port facilities have been modernized and boosted to keep pace with the growing, entrepot trade which Bahrain enjoys because of its unique central position in the Gulf.

Bahrain's modern Mina Sulman port has 14 general cargo berths and 2 container berths. Last year this port handled 840 ships.

PLEASANT SOCIAL ENVIRONMENT:

The relaxed, secure and friendly atmosphere of Bahrain is legendary and owes much to the island's long tradition of welcoming business visitors in its shores and its history of political and economic stability.



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Summarised Balance Sheet as of October 27, 1981	
Capital and Reserves	2,000 Billion
Deposits	32,695 Billion
Loans and Advances	16,144 Billion
Total Assets	41,565 Billion
Total Footings	61,360 Billion
Net Profit for the year	571 Million

Figures in Saudi Riyals
US\$ 1=SR 3.42 approximately

is also a successful offshore bank in Bahrain.

II
BAHRAIN

Over the last three years, the National Commercial Bank (better known as the Saudi National Commercial Bank OBU) has been in the forefront of offshore banking in Bahrain. The bank has established an international reputation in foreign exchange, money markets, syndicated loans and guarantee facilities. Part of the strength and stability of the National Commercial Bank is derived from its home base in the Kingdom of Saudi Arabia.

With over 100 branches and offices and more than 40 years of banking experience, The National Commercial Bank has been on par with the growth and development in the Kingdom.

The Saudi National Commercial Bank

Head Office: King Abdul Aziz Street, Jeddah, P.O.Box 3555. Tel: 33580/4 Telex: 401102/401086 Cable: Banksaudi
Bahrain Office: Zayani House, P.O.Box 20363 Tel: 231182, Telex: 9298 NCB GN/BN 9299 FX



البحرين

BAHRAIN

FOILING THE PUNDITS

Diversification Is Paving the Way to Continued Economic Development

By Tim Owen

DESPITE the dismal forebodings of some Middle Eastern pundits during the last 20 years, the economy of Bahrain has not declined at the economies of its neighbors.

Their forecasts were based on the diminishing output of Bahrain's one small onshore oil field, the withdrawal of the British armed forces and political presence on the island in the early 1970s and a steady decline in its export trade as the other Gulf states developed their own deepwater ports.

What has been the secret of Bahrain's success? The answer lies in the fact that Bahrain has always managed to be one move ahead of its neighbors in the development of its economy. This can be traced to the early 1920s, when a young Briton named Belgrave, recently demobilized from the army after World War I, applied for and obtained the post of adviser to the Emir.

During the next decade, before the development of Bahrain's oil exports and the construction of its oil refinery, the second largest in the Gulf, the administrative infrastructure of the island was established, along with a health service, a modern educational system and a highly efficient police force.

Skilled Work Force

The modern educational system, along with the development of the oil industry, produced a skilled indigenous work force, unique among the Gulf states, which served Bahrain well in later years in the diversification of its economy and the development of industry without recourse to the large-scale importation of foreign labor. As a result, apart from Oman, Bahrain is alone in having an indigenous population that exceeds the number of immigrants. This relieves Bahrain of a potential future internal problem that faces the other Gulf states and contributes toward political stability, a necessary ingredient of a steady economic advancement.

Fully aware of the potentially dismal economic outlook, the Bahrainis in the 1960s decided to press ahead with the diversification of their economy. The first major project was the construction of an aluminum smelter named Alba, which came into partial production in 1968 and full production in 1974. The smelter is imported from Australia and power is supplied by Bahrain's natural gas resources.

The profitability of this enterprise has varied according to the fluctuations of the world price of aluminum. When there was talk of the Saudis constructing an aluminum smelter in

their Eastern Province as part of their industrial development plan, the Bahrainis astutely brought the Saudis into a 20-percent ownership of Alba through the Saudi Arabian Basic Industries Corporation (Sabic), thereby disposing of a potential competitor. Now, Bahrain has secondary industries based on the smelter in the form of Bahrain atomizers (jointly owned by the state and Breton of West Germany), the Balenco aluminum extrusion plant (state-owned) and M.E. Aluminum Cable Ltd., at present undergoing an expansion program.

Alba, which is aiming to boost production to 170,000 tons a year by the end of 1982, exports to Saudi Arabia, Kuwait, Jordan and to several Asian countries.

Dock Project

Another major project has been the construction for the Organization of Arab Petroleum Exporting Countries of a huge graving dock on a spit of land off the north of Bahrain by Hyundai of South Korea and Lisnave of Portugal. The first ship was docked in 1977 and during the first year of operations 130 ships were repaired. It is capable of handling 500,000-dwt tankers. The dock has been run consistently at a loss, but the financial loss is borne by OAPEC while Bahrain gets employment and skilled training for its labor force.

Not all projects have been successful. The fishing industry suffered a major blow in 1979 when the Bahrain Fishing Company (jointly owned by the state and the Ross Group of Britain) was forced to close down as the stocks of shrimp upon which it relied for processing suddenly vanished without apparent explanation.

A light industrial area has been established for some years in the Mina Sulman port area, where soft drinks, plastics, aluminum products, wood products and dairy and poultry products are manufactured. Further development of light industries is being aided by a loan by the Arab Fund for Arab Economic Development.

The latest major project, which has attracted world attention, is the construction of a causeway connecting Bahrain with Saudi Arabia across the shallow stretch of water separating the two countries. This project is being entirely financed by Saudi Arabia, and the construction contract was won by the Dutch-led consortium consisting of the Ballast Nedam group, Bandar Corporation of Riyadh and Japan's Mitsubishi Corporation. There is considerable speculation over the long-term effects of the causeway on the economy of Bahrain, but in the short term it is bound to be of benefit.

THE SHEIKHS' NIGHTMARE

Attempted Coup Points Up Uneasiness Between Two Branches of Islam

THE COUP d'état that a number of Iranian-trained youths planned to spring in Bahrain last December was the nightmare — almost come true — that every Gulf sheikh has been having since the outbreak of the Iranian revolution.

For an outsider, it is hard to believe that the fate of this island state with a population of 360,000 can be that important, but to many in the area, including a number of Western diplomats, Bahrain has become the front line in the struggle to protect the so-called "free world." The worst-case scenario — based on the classic domino theory — is that if Bahrain's conservative tribal regime falls, the other similar regimes in the Gulf tumble, too, thus causing a cutoff in oil supplies to the West and dire consequences to Western economies.

Whether the affair was that significant is moot, but it brings into sharp focus the problem that the Gulf sheikhdoms, including Saudi Arabia, have been facing since the beginning of the troubles in Iran: All the Gulf states have Shia populations, groups that belong to the sect of Islam whose most notable leader at the moment is Ayatollah Ruhollah Khomeini.

A Shia Majority

In Bahrain, however, the Shias are not a minority of the population, as they are in the rest of the states, but the majority, about 60 percent of the population holding Bahraini citizenship. In addition, they were the original inhabitants of Bahrain and have always tended to see the ruling family and its tribal allies, all members of the Sunni sect of Islam, as invaders.

According to the official report of the attempted coup, six young men, en route to Bahrain in mid-December, were stopped by immigration authorities at the passport control in Dubai airport when a sharp-eyed official noticed that something was wrong with the stamps in their passports. The Bahraini authorities were notified and the young men were arrested when their plane landed in Bahrain. Interrogation of the suspects revealed an Iranian-backed plot that led to the arrest of many others, including a relative of the financial adviser to the prime minister of Bahrain, and the discovery of weapons and some Bahraini police uniforms, but with buttons stamped "Made in Tehran."

The authorities say the plotters, calling themselves the Islamic Front for the Liberation of Bahrain, had been trained in Iran as terrorists and were being infiltrated back into Bahrain to topple the government. Their plan was for some of them to dress as policemen on National Day, Dec. 16, and to pick off as many security men as possible, to take hostage or kill key members of the government — essentially members of the royal al-Khalifa family — and to move to key places like the radio and television stations to call for a general uprising.

Hadi Modarres, a Shia religious teacher who had taken refuge in Bahrain during the rule of the shah but who had spoken in broadcasts against the al-Khalifa family on Radio Tehran, was to have returned to become head of an

Islamic republic. The Bahraini regime was panicked by the close call.

A high government official estimates that 25 percent of the Bahraini population is related by blood, education or friendship to the 73 youths picked up as part of the plot. This does not take into account the scores of others — some say hundreds, others, exaggerating, say thousands — that have been deported since the beginning of the Iranian revolution or that are being held in jail under a national security decree that allows the authorities to hold someone for three years, renewable, without trial.

The incident unnerved the other Gulf states as well. All of the 73 arrested were Shias, many of them students from the middle class recruited while studying in universities abroad. Most were Bahrainis and there were 12 Saudis, a Kuwaiti and an Omani in the group.

Bahrain's minister of information, Tariq Almoayyed, said that as a result of the discovery of the plot, arrests were made in other Gulf states. The Saudi interior minister, Prince Nayef ibn Abdul Aziz, said soon after the arrests that his government had evidence that it was among those targeted by the front. Saudi Arabia, he said, will "do everything in its power, including sending security forces, to help Bahrain or any other Gulf state, if the need arises."

Since the plot was discovered,

Bahrain and all the members of the Gulf Cooperation Council, except Kuwait, have signed bilateral security agreements with Saudi Arabia. The council is made up of Bahrain, Saudi Arabia, Kuwait, the United Arab Emirates, Qatar and Oman.

It seems highly unlikely that such a plot would rouse the support of the majority of Bahrain's Shia community, who, although they may grumble about the Sunni regime, have benefited economically and socially under the rule of the al-Khalifa, which even the opposition based in Beirut says is relatively benign. "They want to be benign," says a long-time resident. "But they have these problems."

headed by a member of the royal family, Sheikh Khalifa bin Mohammed al-Khalifa. The charges against the youths were never clear because of the secrecy surrounding the episode, but they apparently involved membership in an illegal organization, illegal possession of firearms and explosives and anti-state activity in the service of a foreign power.

Most of the defense lawyers were appointed by the government although, the government says, the defendants were free to choose — and pay for — their own lawyers.

One defendant did that, choosing a member of the royal family as his attorney. But the sheikh, a man reputed to have a profound sense of justice, backed out after the first hearing. Obviously, he would have been open to criticism from all sides if he had remained. The other defense lawyers apparently did not

have the option to retire — were threatened with the loss of their licenses to practice if they backed out.

Apparently, one of the reasons the Bahraini government decided to hold the trial in secret was to avoid giving the youths a forum that could turn them into martyrs. Information Minister Almoayyed said the killers of Egyptian President Anwar Sadat became heroes when their trial was held in "international limelight."

On April 5, after three hearings, the prosecution rested its case, which, according to local press reports, was based on statements made to the police, confessions before the investigating judge and books published in Tehran. According to unconfirmed reports, the defense lawyers' request for impartial medical examinations of the defendants to determine if confessions had been coerced was denied.

The regime was obviously in a quandary on the question of sentencing, since light sentences would only encourage a similar incident and the death penalty might well cause significant problems with the Shia population.

E

Shias in Bahrain seem to have the option to retire — were threatened with the loss of their licenses to practice if they backed out.

Apparently, one of the reasons the Bahraini government decided to hold the trial in secret was to avoid giving the youths a forum that could turn them into martyrs. Information Minister Almoayyed said the killers of Egyptian President Anwar Sadat became heroes when their trial was held in "international limelight."

The Shias in Bahrain seem to have the option to retire — were threatened with the loss of their licenses to practice if they backed out.

When I was a student, we were shouting against the British," a Shia journalist. "We were shouting. It's the same for our people today, shouting against the government."

The Sunnis take a less tolerant view. A high-level foreigner

(Continued on Following Page)

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مكتاب العجل

INDUSTRY

Reserves of Natural Gas Spur Regional Projects

(Continued from Page 95)

tries in Bahrain after economic sense because Bahrain has substantial reserves of natural gas that the government is using to subsidize its industrial use. It is a feedstock, such as petrochemicals or as fuel, such as aluminum and steel mills. But it is also making political sense because Bahrain, alone among the small sheikhdoms, has the trained native manpower to run industries without having to resort to large imports of foreign labor. Imports, in the other Gulf states, with the exception of Saudi Arabia, have made nationals a minority in their town.

Talented education

Industrialization was first perceived by Bahrain as a way of employing its 400,000 school-leavers and graduates, but set on the labor market earlier and with an already broad-based civil service. Bahrain must now keep up with finding sources of productive for them to do. The Bahraini educational system is being tailored to make sure that students meet the requirements of the Bahraini economy and are not just generalists oriented.

This all comes with another factor — persuading neighboring states to invest Bahrain the desire to modernize financially. The tribal al-Khalifa regime, which rules over a vast domain where members of al-Shia religious sects are the majority. The al-Sabah family of Kuwait and the al-Saud of Saudi Arabia are relatives of the al-Khalifa and it probably is no coincidence that most of these joint ventures were announced after the Iranian revolution and are heavily subscribed to by Kuwait and Saudi Arabia. Ayatollah Khomeini is a Shii leader.

The Bahrain government began its aluminum venture with a shareholding of 7.5 percent, most of the other shareholders being a consortium of others. This rose to 77.9 percent in '76, when a depressed market drove several shareholders to drop out. Aluminum is especially sensitive to recession because its major uses are in construction and automobiles, the first sectors hit in an economic downturn.

By 1978 the company was looking like a strong success, with sales revenue of \$137.5 million and profit of \$12.3 million. The next year the Saudi government announced that it was postponing its plans to build a 250,000-ton smelter at Hail and was instead buying 20 percent of Alba from the Bahraini government. The decision was made to expand the smelter from 120,000 tons a year to 170,000 tons. Over the next three years the Saudis and the Bahrainis made profits of about \$115 million on sales of their share in the production. The two other shareholders, Kaiser Aluminum 17 percent and British Investment 5.1 percent, market their share in the production separately.

Profitable Stockpiling

When the aluminum market was depressed in the mid-1970s, Bahrain stockpiled rather than sell at a loss. It paid off handsomely as the world recession eased, and Bahrain is stocks to sell in a rising market. The market was buoyant until '81, when it took a downturn and Bahrain and Saudi Arabia, though their marketing arm, Balco, started stockpiling again.

According to press reports, which Balco refuses to confirm, there are over 80,000 tons stockpiled, although this is somewhat down from the first of the year. Balco's general manager, Sandy J. Ross McDonald, predicts that 1982 will see a "substantial" loss across the board as a whole. First quarter losses amounted to \$3.9 million, according to unconfirmed reports.

The major problem at the moment, according to Balco, is that large producers, hit by the world recession, are cutting back smelting operations, curtailing production in their own downstream industries that use aluminum and limiting their aluminum inventories into world markets, mostly into the Far East, which is Balco's second major market.



Yousef Shirawi

According to a trade magazine, however, it is Balco that is dumping into Japan. Balco, whose production is a significant percentage of spot-market supplies, denies this.

But that as it may, whatever the ups and downs of the aluminum business now, the Gulf producers are in a privileged position for the future as fuel prices in the industrialized nations make smelting prohibitively expensive. The Gulf Organization for Industrial Consulting, a project-coordinating group, wants to see smelting capacity in the Gulf tripled by 1995. There is now one other smelter in the Gulf, Dubai in Dubai, with a capacity of about 160,000 tons a year.

Seeking a Remedy

So far, there has been no coordination between the two Gulf producers. In fact, Dubai waded away Alba's general manager, thus creating some bad feeling. But Mr. Shirawi is hoping that the Gulf Cooperation Council, formed by the Gulf states last May, will remedy this. He foresees the day when the GCC will collectively negotiate with the OECD for the entry of its products into markets now dominated and protected by the industrialized world. The EEC, for example, imposes a 6.9-percent tariff on outside aluminum.

Mr. Shirawi said that two or three years ago Bahraini representatives went to the EEC in Brussels to talk about tariff matters. "No body was ready to talk to us," he said. "And they were right. We were so small." But now that the GCC has been formed things will change, he believes. "We are now preparing ourselves. We have informed the OECD that we will come some time."

So far, Alba has three downstream, essentially captive, customers: the Bahrain Aluminum Extrusion Company, which is wholly government-owned and exports most of its 4,000 tons of powder to neighboring Gulf states; Bahrain Atomizer International, a joint venture between the Bahraini government and West Germany's Eckhardt-Werke, which manufactures and exports powder for paints, inks and explosives; and Midal, a private venture manufacturing rods and cables, largely for export to Saudi Arabia.

Plans are under way for the construction of a fourth Alba customer, the Gulf Aluminum Rolling Mill, a joint venture owned by Saudi Arabia, Kuwait, Iraq and Bahrain, each with 20 percent, and Qatar and Oman, each with 10 percent. Only the United Arab Emirates, of all the members of the Gulf Organization for Industrial Consulting, declined to participate, something that may have been influenced by its desire to lo-

LESLIE MITCHELL de QUILLACQ is a free-lance writer who specializes in Gulf issues.

TIM OWEN is on the staff of the Middle East Association.

SUSANNAH TARBUSH is on the staff of Middle East Magazine.

cate a mill next to its smelter rather than next to Bahrain's.

Kaiser Engineers and Construction was recently appointed as consultant on the project and the mill, estimated at \$260 million, is to be up to capacity of 40,000 tons a year in six or seven years.

The future looks bright, too, for Bahrain's second industrial child, the Arab Shipbuilding and Repair Yard (Asry), although its story is similar to Alba's — a depressed market cutting into profits. Asry, owned by seven member states of the Organization of Arab Petroleum Exporting Countries, including Bahrain, began operations at the end of 1977 and was not expected to break even before 1985. The company is seen as more than just a profit-making investment; it is also considered a "strategic venture" to transfer sophisticated technology to its Arab owners and to train Arab manpower.

Mohammed al-Khatib, secretary to Asry's board, says the company reached the break-even point in the first quarter of 1981 but ended up losing money that year — he will not say how much — because the tanker market deteriorated so rapidly. The dock, however, is usually working to about 90 percent of its capacity and, in 1981, repaired a total of 104 vessels, including a \$2.5-million job. A modest improvement in the market now and the company will break even, Mr. Khatib says. The losses in 1981 were at least less than those of 1980, he added. The company lost \$9.7 million in 1980, not including depreciation costs.

Asry's dry dock can accommodate vessels of up to 500,000 dwt and its repair quays can accommodate four ULCCs, ultra large crude carriers. A decision to build a second dry dock to cater to the new generation of smaller tankers has been postponed because of the poor market conditions.

Prospects in Dubai

Asry, however, may soon find itself operating Dubai's three dry docks, too. The docks, for vessels of 1 million dwt, 500,000 dwt and 350,000 dwt, were built without coordination with Asry and have never been opened because the government of Dubai cannot find anyone to agree to operate them. There is agreement in the industry that the Gulf probably cannot support more than two dry docks. But since Asry is owned by OAPEC, including the United Arab Emirates, it probably is not in a position to decline the offer of U.A.E. Oil Minister Mana al-Otaiba to take over. An OAPEC committee is meeting to discuss the matter.

The least-mature joint venture at the moment is the Heavy Oil Conversion Company, a joint venture of Saudi Arabia, Kuwait and Bahrain, which is studying the possibility of building an 80,000-barrel-per-day hydrocracker next to Awdali to turn heavy fuel oil into lighter products. The company is now considering bids from consultants for a feasibility study of the project, which could prove very expensive, depending on the extent of hydrocracking that is selected.

The causeway that will link Bahrain to Saudi Arabia should have some economic benefits for Bahrain-based industry, but so far it seems that the effects have not been calculated. The decision to build the road was a political one, made by Saudi Arabia's King Faisal in the early 1970s, not an economic one. Most Bahraini officials and businessmen talk about how much cheaper fruits and vegetables will be for Bahrain when the road is finished, not about the opportunities for Bahraini heavy industry. But since the Gulf Aluminum Rolling Mill's market as well as the steel pelletizing project's market is to be in the Middle East, the causeway should lower transportation costs to the market place.

The causeway project is estimated at \$1.2 billion. Bandar Ballast International, a consortium led by the Dutch company Ballast Nedam, has been awarded the main contract for \$564 million. The road includes 25 kilometers of embankments, causeways and bridges.

— L.M. de Q.

INDUSTRY

Reserves of Natural Gas Spur Regional Projects

Another year of record achievements

Statement of Condition at 31st December 1981

NOTE	1981 BD'000	1980 BD'000
ASSETS		
Cash and Due From Banks	16,762	10,175
Reserve Deposited with Bahrain Monetary Agency	5,562	7,072
Time Deposits — Banks	176,662	124,031
Loans, Advances and Overdrafts	2	158,237
Other Assets	3	10,222
	367,445	276,839
Investments	4	17,430
Fixed Assets	5	5,205
TOTAL ASSETS	390,080	297,332
LIABILITIES		
Current, Saving and Other Demand Accounts	67,604	53,749
Due to Banks on Current Account	7,749	4,334
Time Deposits — Banks	98,890	91,927
— Non-Banks	164,844	120,612
Directors' Remuneration (Subject to Shareholders' Approval)	59	42
Dividend Proposed (Subject to Shareholders' Approval)	1,400	720
Other Liabilities	12,500	5,943
TOTAL LIABILITIES	353,046	277,327
SHAREHOLDERS' EQUITY		
Share Capital	6	14,000
Reserves	7	23,034
TOTAL SHAREHOLDERS' EQUITY	37,034	30,005
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		
	390,080	297,332

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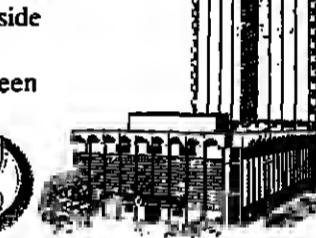
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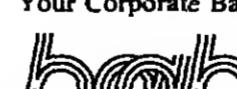
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A 17th Century silver 'Khanjar' — the traditional dagger worn as a sign of bravery.
From the private collection of Mr. Rashid Al-Oraifi.

THE SHEIKHS' NIGHTMARE

(Continued from Preceding Page)
was a very large hit squad. I am told that the plans were detailed that the excellent arms available were sufficient that the police units by surprise and could have wiped out the leadership like that. In a little race like this the effect could be appalling. Would the foreign biks go home? If so, you have got unemployment. Would they big up the refinery? This is not a nation.

"Also very least, had that plot succeed, there would have been the worst kind of bad blood within this society for generations. This thing even though it failed to come off, has given impetus to Shi'a-Sunni mutual suspicions. This is an unhappy thing. How much worse would it have been had blood been shed?"

"The suspicions between the two groups had been dormant for years as education and mutual interests eroded their differences. But the Iran revolution awakened ill feelings. Who started what is a subject of debate between the two communities."

The Shi'a community, which looks to religious leaders in Qum and in Kerbala and Najaf in Iraq for guidance, was energized by the revolution, the young especially so. Khomeini T-shirts were quite the mode at one time.

In 1979, there were demonstrations in support of Ayatollah Khomeini. The Shi'a say the regime overreacted. Lots of tear gas was expended and lots of arrests were made, how many no one knows.

Sunnis were arrested to get at the Moslem brotherhood, he says.

A Sunni member of the committee agrees that the government should be listening more to the Shi'a and not treating their problem "in the police way." But, he adds, "These Shi'a are like children. They always feel that something should be done for them. They always blame others. I think the royal family, especially in the last 10 or 15 years, has done a lot of things for Bahrain. What do these villagers want? They want a theocratic state. This is not acceptable to educated Sunnis or Shi'a."

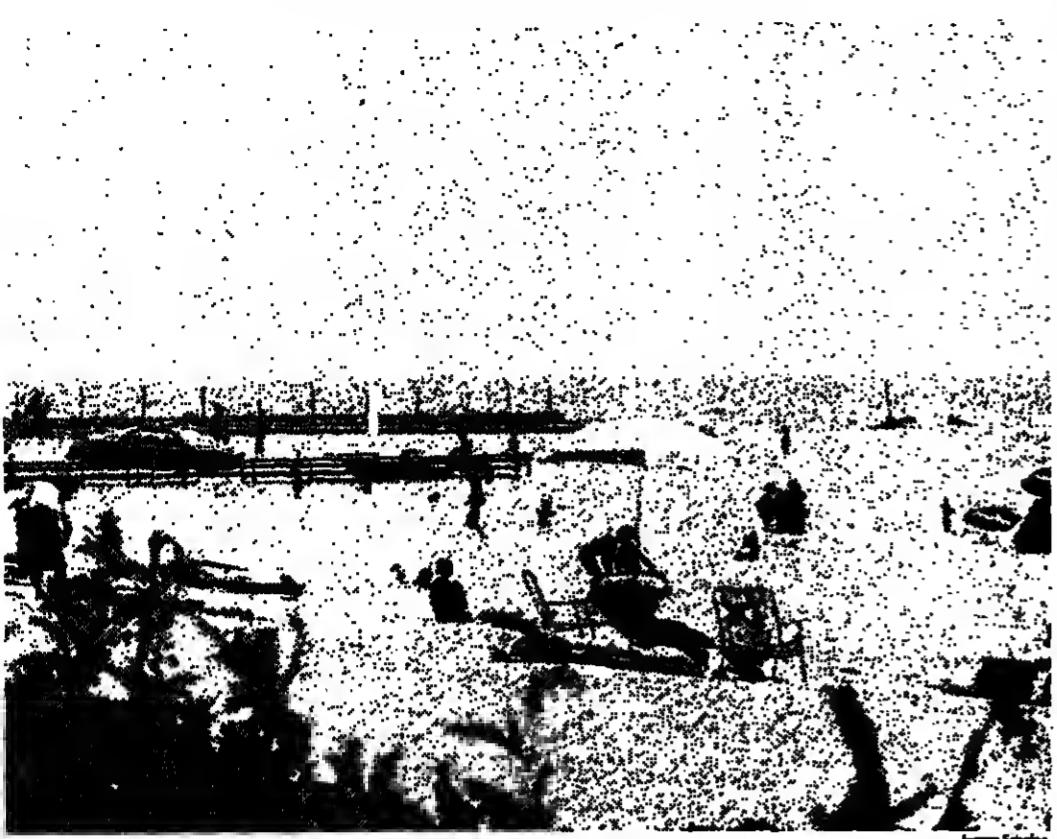
A Shi'a committee member said: "Definitely, there was kind of a Shi'a movement. But they were not as anti-Sunni as the government believes. They have not been treated the same by the government as the Sunnis. They feel they are treated as a minority group when they are really the majority. It is a government-Shia conflict rather than a Sunni-Shia conflict. We have always told the government that it is high time they change their policy toward the Shi'a, to avoid what has happened. What has happened is only a byproduct of that feeling. Some Khomeini groups thought they could fish in those turbid waters."

According to him, there are no Shi'a in the military, in the police, in the ministry or in immigration or ports — all the ministries or departments that involve governing. He concedes that there are radical elements in the Shi'a community, such as partisans of the illegal Iraqi Shi'a "al-Daawa" party, who are seeking to overthrow the regime. But the government, he says, is indiscriminately arresting Shi'a without any basis for believing they are a threat. It is as though

— L.M. de Q.

البحرين

BAHRAIN



Bathers cool off at one of the numerous beaches in Bahrain.

OLD AND NEW

Royal Family Strives for a Balance Between Tradition and Modernity

(Continued from Page 9S)
Baluchi tribesmen who were also al-Khalifa minors.

The tribal council, the "majlis," made decisions on political and economic affairs without being bound by law, while religious courts controlled personal affairs such as divorce and marriage.

Mixed into this population of tribesmen and peasants were Arab Sunni merchants, who traced their ancestry in the Arabian peninsula but who came to Bahrain from southern Persia. Called the "Hawala," suggesting the process of returning to their Arabian origin, they tend to be the more progressive group in the island and encompass many of Bahrain's prominent families of today: the Fakhro, the Kanoo, the Almosayed, to name a few. Also in the mix were Shia Persian traders who, despite their religious affiliation with the native Bahrainis, are in general heartily disliked by them.

The British consolidated the al-Khalifa rule in the 19th century through a series of treaties it forced on tribal rulers in the Gulf to stop intertribal warfare. The ruler who signed a treaty was in effect legitimized on his bit of territory. Yousef Shirawi, the development and industry minister, says, "The British froze history in this area in 1810. If it were left to natural forces there would probably be one big kingdom here with a population of 12 million." To Mr. Shirawi, the Gulf Cooperation Council formed by the Gulf states last year is unfreezing this natural process.

Bahrain's tribal system of rule has remained much the same since the beginning, having survived even the administrative, legal and land reforms imposed by the British in the first half of the century. An al-Khalifa family council still decides who will hold the position of emir, crown prince and prime minister and other important government posts. Although government posts set aside for the al-Khalifas are distributed among the family on the basis of merit, the size of a royal family member's share in the privy purse depends on his proximity to the line of the emir.

At the moment, al-Khalifas are the ministers of defense, interior, foreign affairs, justice and Islamic affairs, labor and social affairs and housing. The Ministry of Labor and Social Affairs has jurisdiction over labor issues as well as over sports and literary clubs, which have been to the Bahrainis what political parties are in the West. The Housing Ministry is also a critical ministry as housing is a key issue in this welfare state. Control of these several portfolios means that the al-Khalifas still make all the important political decisions in Bahrain.

Nonroyal Sunnis now hold portfolios in education, information, finance and development and industry.

The Shias, who in the past cultivated and administered the feudal estates and collected taxes on the behalf of the emir, now hold positions in the administrative and technical ministries. Until recently, the finance minister was Shia. The Shia ministers now are public works, electricity and water, transport, commerce and agriculture and health.

The Sunnis, of tribal origin, who under the feudal system were the enforcement branch of the al-Khalifa regime, are now to be found in the police, the military, the Ministry of Interior and those departments involving immigration and ports. One of the Shia complaints today is that those departments are closed to them.

Access to government is on a personal basis, depending on whom one knows. The only institution for citizen participation in government is the tribal majlis, where the al-Khalifas sheikhs, including the emir, open their doors at certain times during the week to receive petitions from their subjects.

Though the regime may have remained much the same, the society underpinning it has radically changed. The cultured pearl destroyed the pearl industry and the discovery of oil destroyed the cultivation of date palms; at the same time, peasants and pearlsmen were joining the new oil sector, acquiring steady jobs and salaries. A working class was formed, and with that came labor protests.

An educated middle class sprouted, and with that came demands for popular participation in government. In about 1950, urban Bahraini merchants of the Sunni

BANKING

By Susannah Tarbush

BAHRAIN'S role as a banking center has been remarkably little shaken by political events in the Gulf. Neither the war between Iran and Iraq nor the attempted coup last December seriously affected business confidence, and assets of the 65 offshore banking units have grown at a fast rate this year.

In 1981, offshore banking unit assets grew by 35 percent to reach \$50.7 billion. In the first three months of this year they grew by \$4.9 billion to reach \$55.6 billion, compared with growth of \$2.3 billion in the same period of 1981.

Nor does it seem as though the drop in oil revenues of the Gulf states will lead to a marked slowdown in business. Although it might be expected that, given its location, Bahrain would act as a major conduit for Gulf government oil surpluses, in practice much of its deposit base is non-governmental.

Local demand for loans is also likely to continue at a high level.

Questions Raised

But even if politics and the oil situation have left Bahrain's banking sector unscathed, questions are being raised about its long-term future as the Gulf's banking center. For one thing, competition for Saudi business is growing from Saudi Arabia's own domestic banking system. Many Saudi deals had been carried out via Bahrain.

This year sees the completion of the "Saudiization" process started in 1976 by which all banks are at least 60 percent Saudi-owned.

The capital of Saudi Arabia's banks has increased rapidly, branches are proliferating throughout the kingdom and the

Growth Continues, but Competition With Saudi Arabia Is Heating Up

banking system can offer an increasingly sophisticated range of services. It is becoming growingly assertive.

Some resentment of Bahrain's offshore banking system was voiced by Saudi Arabia's finance and economy minister, Mohammed Abdukhail, at the recent Middle East Economic Digest banking conference, when he said, "One can have doubts about fostering the development of institutions designed to promote capital outflows."

Absorptive Capacity

It was in 1975 that the offshore market was launched, and the drive started to turn Bahrain into a major money center. Among the attractions were a time zone between Europe and Singapore, a well-educated work force, proximity to the oil states and good telecommunications and air links. The number of OBU's grew rapidly and in 1979 a moratorium was imposed by the Bahrain Monetary Agency.

Early this year, the BMA announced a one-year moratorium on the formation of publicly owned OBU's. Explaining the move, the BMA governor, Abdullah Saif, pointed out that the board had already approved the incorporation of four institutions in public share issues this year and said this was enough, given Bahrain's liquidity and absorptive capacity.

The move followed the massive oversubscription by the public in the issue of 26 million \$1 shares by the Bahrain International Bank. The issue was more than 400 times oversubscribed.

Applications for shares were open to nationals of the Gulf Cooperation Council member states, with 30 percent reserved for Bahraini nationals. BIB's authorized capital is \$500 million. The \$152

million not issued to the public is coming from GCC members.

The public share issue for the Bahrain Kuwait Investment Company, the second of the four publicly owned OBU's approved for registration, was oversubscribed 348 times. Of the total paid-up capital of 55 million Bahraini dinars, the 2.9-million-dinar public offering was made in citizens of Bahrain only. The third share issue approved is for the Bahrain Middle East Bank, which is going public. Its chairman is a former Kuwaiti finance minister, Abdul Rahman al-Anti.

Considerable excitement has been aroused by the creation of the Arabian Investment Corporation (Investcorp), the fourth approved publicly owned institution. The Arab Monetary Fund financed a \$500,000 study into the setting up of the new company. As a former president of the AMF, Jawad Hasmek, explained, the aim of Investcorp is to "end the haphazard investment by the many small private investment groups and institutions created by Arabs here and there," and to help develop Arab capital and financial markets.

Mr. Hasmek emphasized that the AMF's role was limited to carrying out the study. Once the company was licensed "then it has nothing to do with us," he said. "We don't want the government touch in there; the private sector is very touchy about government interference."

Recently, the Gulf public was offered \$26 million in shares out of the initial issued capital of \$200 million. Total authorized capital is \$500 million. A wide range of Gulf institutional and individual investors supplied the founders' capital, includ-

ing ministers such as Saudi Oil Minister Sheikh Ahmed Zaki Yamani and members of ruling families.

Licenses Granted

It is emphasized that a moratorium applies to public issues of, and foreign banks are continuing to apply for OBU licenses. An OBU license was recently granted in Yapi and Kredietbank — the first Turkish bank to enter the Bahraini market. Banco Itali of Brazil and Banca Nazionale del Lavoro of Italy recently set up representative offices.

One of the features of the Bahrain banking scene that has attracted considerable attention in recent years has been the growing Japanese presence. The Bank of Tokyo opened a representative office in 1977 and began OBU activities in 1980. There are now 14 Japanese-related banks and five securities houses in Bahrain, although Bank of Tokyo is still the only one to have set up an OBU. The most recent bank to set up a representative office was the Industrial Bank of Japan.

The domestic banking scene, which consists of 20 banks, has been dominated by two local banks — the National Bank of Bahrain and the Bank of Bahrain and Kuwait. The latter's net income rose by 73 percent last year, while profits at NBB rose by 42 percent. Other locally owned banks are the Bahrain Islamic Bank and the Al Ahli Commercial Bank. Local banks receive considerable official encouragement in their participation in the public sector.

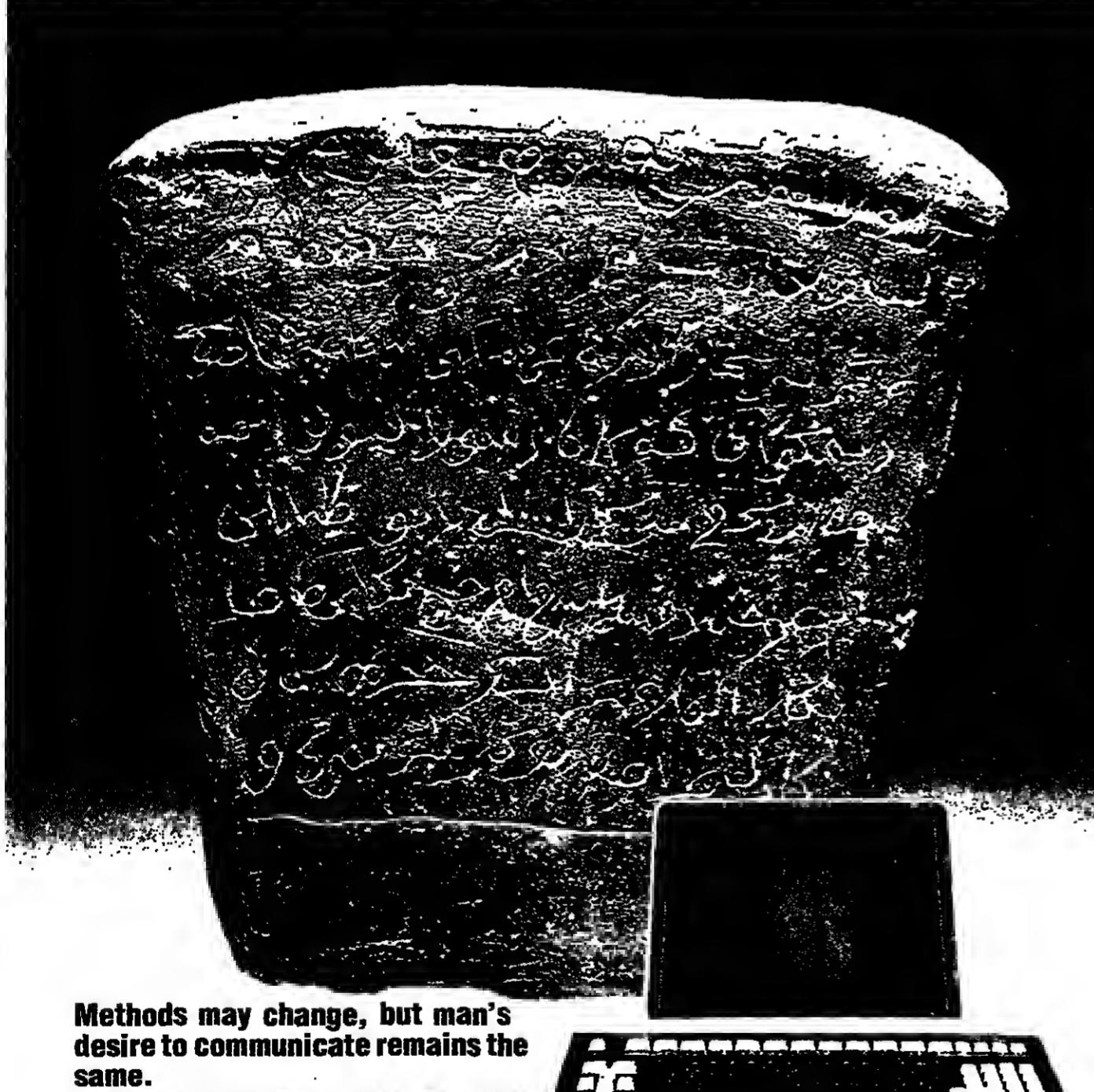
The authorized capital of BK is to be raised from 15 million dinars to 100 million dinars, and NBB has announced an increase to 100 million dinars. Al Ahli has sought to double its paid capital to 8 million dinars.

on company councils will be elected by company workers, while the other half will be appointed by management. The workers' representatives will elect representatives in the national council which will represent labor in discussions with the government on "its overall social and economic status of the Bahraini worker." The strikes are outlawed, talking is still the labor councils can do. The councils will be started at eight of the island's largest companies, which employ 30 percent of the Bahraini work force, and will gradually spread to smaller companies.

According to the labor and social affairs minister, Sheikh Khalifa bin Sulman bin Mohammed, the labor movement in Bahrain has in the past been manipulated by outside political forces. It is growing more mature and malleable to protect itself from manipulation. Whether the proposed labor councils are to be the forerunner of more widespread popular participation in government something Sheikh Khalifa will discuss.

Given the stubborn parliamentary aspirations in Bahrain, the historic Shia-Sunni split, the Islamic renaissance, the Iranian revolution and the recent coup attempt, one can see if there is fuel for an upheaval. But, as a knowledgeable foreigner observes: "The British pulled out and we said, 'This is the end of those sheikhs.' Not one sheikh has fallen since then. They survived, Nasser, the British withdrawal and now they have survived the Iranian revolution. Objectively you have to look at the systems in the Gulf and say they work. It does not mean they are predestined to last forever."

M. de Q.



Methods may change, but man's desire to communicate remains the same.

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July, 1982

البحرين

BAHRAIN

ROOM FOR MORE

*Hotel Business Shows Sharp Growth
As Stopover Traffic Soars Since 1979*

Special to the IHT

OVER the past three years the total number of passengers arriving in Bahrain has risen sharply. In 1979, there were 404,032 arrivals against 1.6 million in 1981. The number of transit passengers (with and without 72-hour visas) increased substantially and accounted for a major share of this increase. The exact amount has not been calculated.

While the number of Arabic and non-Arabic businessmen dropped slightly in the three years in question, tourists from the Gulf and the rest of the Middle East, the United States and Europe totaled 150,048 in 1981, against 129,016 in 1979. Slightly more people arrived to work in Bahrain in 1981 — 91,530, against 90,993 for 1979, of whom 23,340 were Americans, Europeans, Australians and New Zealanders.

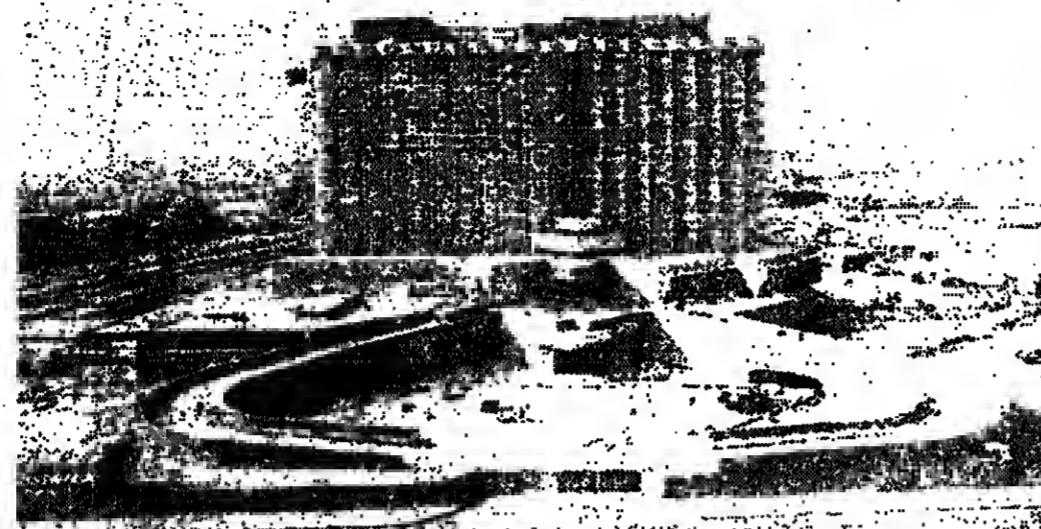
A total of 472,675 rooms was available annually on a per-night basis in 1981 among the top five hotels; occupancy averaged 59.17 percent, or 279,681 room/nights. And according to the Citibank Marketing Study 1982 and official government statistics, growth in market demand for 1982 is likely to be around 5 percent; total market demand, 218,275 guests, and total 1982 market supply 686,200 room/nights in the top seven hotels. (Two deluxe hotels have been added since December, 1981.)

The increase in market supply for 1982 is estimated at 45.17 percent, or 213,525 room/nights, and anticipated average occupancy for these seven hotels is estimated at 42.8 percent, or 293,665 room/nights.

Bahrain is one of the few Gulf states able to offer a selection of hotel accommodations to suit most budgets. Today, the state has seven deluxe properties, 12 first-class and three second-class hotels providing about 4,500 rooms. Of this, nearly 1,500 have been added in the last 18 months. While deluxe accommodation can cost, about \$80 per night, it is possible to find a comfortable, clean room for less than \$30.

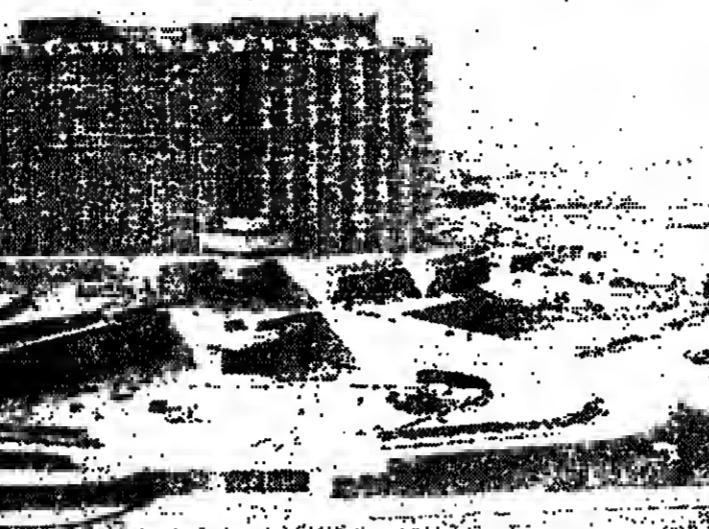
The deluxe categories are run by international management groups.

Diplomat by Trusthouse Forte, Hilton, Holiday Inn, Ramada, the Regency Inter-Continental and



The Sheraton (left) and the Hilton — two of the nation's seven luxury establishments that are enjoying the fruits of a decade of expansion.

Jürgen Schäfer



The Sheraton (left) and the Hilton — two of the nation's seven luxury establishments that are enjoying the fruits of a decade of expansion.

Jürgen Schäfer

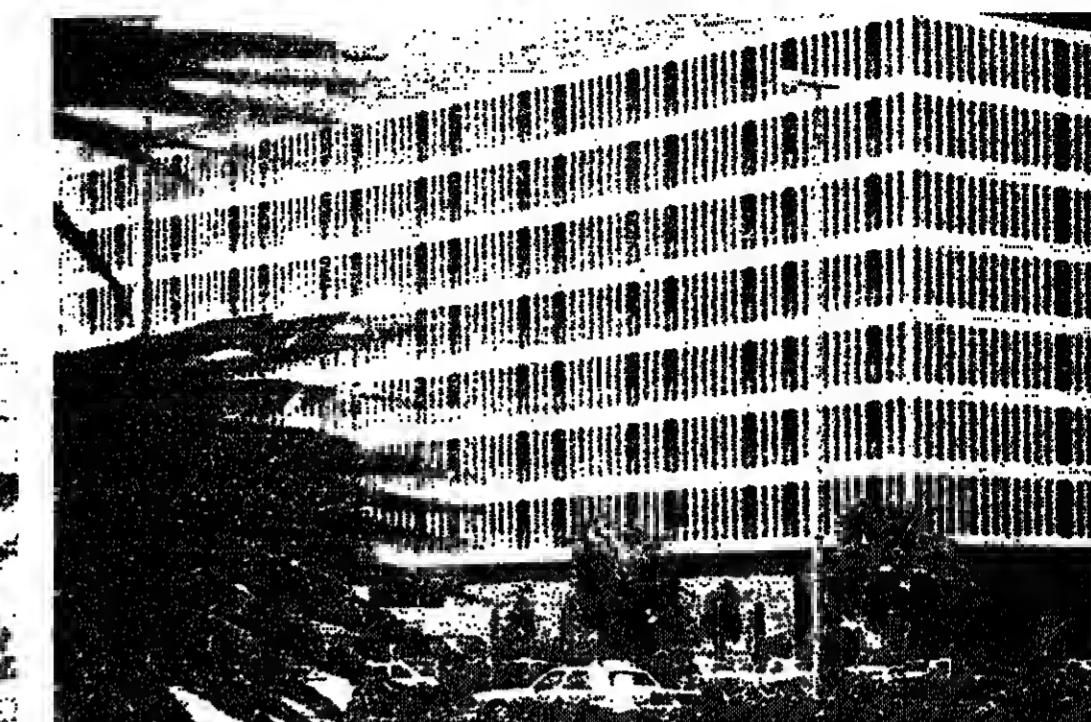
opened extensive conference facilities, accommodating between them more than 1,000 delegates with self-contained suites and independent entrances.

Talking about the growth in tourist traffic through Bahrain, Minister of Information Tariq Al-Mosayed explained that while the cost of air travel to Bahrain is still high, Cathay Pacific, Qantas and UTA have taken the lead by agreeing to his ministry's request to allow travelers from Europe to the Far East to stop over.

Today, hotel executives are emphasizing service as the major selling factor. In terms of international standard rooms, business and leisure facilities and entertainment there is little to choose between the top seven. Another key selling point is the increasingly excellent range of business services or special facilities that provide visitors with a comprehensive and efficient "office" — sometimes offered free of charge or for a nominal fee.

A growth sector now the conference and exhibitions business. Bahrain is fully equipped to facilitate high-level conferences, and the space between the hotels and the Bahrain "Exhibition Center" can cater for some 5,000 delegates and even hold a number of conferences simultaneously. The two new hotels, Sheraton and Diplomat, have

operation with the municipality, more public gardens are being planned and additional beaches



The Sheraton (left) and the Hilton — two of the nation's seven luxury establishments that are enjoying the fruits of a decade of expansion.

Jürgen Schäfer

successful. It is expected to be fully completed in about three years.

In fact, Bahrain's tourism industry recently received a boost when the Holiday Inn owners — the Bahrain Tourism Company — sold land allocated for the hotel's own marina complex. The deal, reported to be in the region of \$27 million, will enable them to go ahead with a number of ambitious plans for the hotel and BTC. One could be the formation of a travel and tourism office to promote Bahrain, the beach, which is only 15-20 minutes' walk away.

There are also plans to restore Manama's famous landmark — the Bab al-Bahrain.

Tourism-related projects are also being undertaken by the private sector. Part of the new marina complex is now open and is very

was nothing but a desert. Today, it is full of thriving trees, shrubs and, of course, animals. Already, special groups are being taken round but it takes time for people and animals to get used to one another.

The central attraction is our herd of Arabian oryx. However, we expect people to combine a look at the park with a picnic or visit to the restaurant, then go on to the beach, which is only 15-20 minutes' walk away."

Bahrain's international airport is served by more than 30 airlines, 13 of which have crew stopovers in Manama. A visitor's impression of a country invariably starts at its airport, and Bahrain's is well designed with excellent facilities. It

has the capacity to handle more

people efficiently and has already won one award from an airline for getting the highest percentage of flights out on time.

Generally speaking, immigration is a swift and uncomplicated procedure although all but travelers holding valid passports from the United Kingdom, Saudi Arabia, Kuwait, Qatar, Oman and the United Arab Emirates require entry visas. However, holders of confirmed return or onward air tickets can obtain a transit visa, valid for 72 hours, from the airport immigration office.

There are usually about half a dozen flights a day from London's Heathrow, including the Gulf national carrier, Gulf Air. Flying dai-

THE OIL 'CLUB'

(Continued from Page 95)

produces 75 to 80 different products, although about 32 percent of that is heavy fuel oil.

Marketing continues to be comprehensive. Both shareholders — Bahrain and Caltex — sell a "fair bit" to the Gulf. The advent last year of Abu Dhabi's 120,000-b/d refinery has dried up the market there, but Dubai still imports some Bapco products, as does Saudi Arabia when it is short itself. The bulk of the rest goes to Southeast Asia, India and Pakistan. All the remainder goes to Japan.

Plans are afoot to convert the refinery's heavy fuel oil, which now sells for only about \$24 to \$26 a barrel, into lighter products that command higher prices. The Heavy Oil Conversion Company, with Bahrain a 40-percent shareholder and Saudi Arabia and Kuwait each with 30 percent, was formed in 1981 with a capital of \$2 million to undertake a feasibility study of the project.

Since the hydrocracking process that converts heavy oil is extremely expensive, the cost of such a project could run into billions of dollars. The first decision to be made will involve the extent of hydrocracking desired and the quantity the shareholders wish to process. The most commonly cited figure for the second is 80,000 b/d, which now is about the amount of heavy fuel oil the Bapco refinery produces when it is running at full capacity. But since capacity is not always 100 percent, Kuwait and Saudi Arabia will also have to provide fuel oil for processing. The initial feasibility study should be ready in December.

As crude oil production dwindles, Bapco has undertaken an intensive exploration program to make sure that there is really no more crude around, and has also just spent \$2 million studying the possibility of going into more sophisticated recovery methods.

Steam Injection

A study, done by Chevron, included an investigation of techniques involving the injection of steam, chemical solvents or carbon dioxide into the oil field. The costs of such techniques are extremely high, but Hassan Fakhro, the managing director and chairman of Bapco, says the decision to go ahead has already been made "in principle." Regardless of how expensive the oil is, how much technology it requires to extract it, we are talking about producing it for much less than \$10 a barrel," he says. Bapco hopes to recover an additional 100 million to 200 million barrels of crude oil in this way over the next 10 to 15 years.

But it is not just the near term that has been bothering Bahrain. What with several huge export refining projects in the works in Saudi Arabia and Kuwait, the specter looms of Gulf countries competing against each other in international markets.

A special committee of the Gulf Cooperation Council, to which the six Gulf sheikhdoms belong, is already dealing with the problem. The committee is working to set a price range for each product "so you don't hurt your partner," Mr. Shirawi says. "One is allowed to do whatever one likes within limits. There is a thin line between surrender of sovereignty and regional cooperation."

Widely Marketed

Historically, Bapco-refined products have been marketed widely because the refinery was originally built by Caltex as a "swing refinery" in order to provide products for Chevron (Socal's marketing arm) and Texaco markets in East Africa, Southeast Asia, China and Australia when local refined products ran short. For this reason, the Bapco refinery can

dwindling onshore production. Unfortunately, one of the most promising areas lies close to Hawar Island, just off Qatar, which Bahrain and Qatar have literally battled over for years. The British gave the islands to Bahrain in the 1930s and at the moment there is reportedly a Bahraini garrison there. The Qataris are very emotional about the issue — they say they can walk to the island at low tide. The ownership dispute is being worked out now by the Gulf Cooperation Council.

Onshore, Bapco is interested in investigating levels lower than its non-associated gas field in the Khuff zone, which lies at about 10,000 feet. According to Mr. Fakhro, the company plans to drill a deep test well to about 20,000 feet next year. He is quite optimistic about possible new finds, but Mr. Shirawi says "it doesn't look very good."

For the time being, at least, a plan to build a liquefied natural gas plant to export the gas from the Khuff gas reservoir, estimated by Mr. Fakhro to hold 10 trillion cubic feet, has been shelved. The decision seems to have been made instead to use the gas to fuel Bahrain's burgeoning industrial sector, a decision that, according to Mr. Shirawi, will stretch out the life of the gas field for another 50 years.

Used as Feedstock

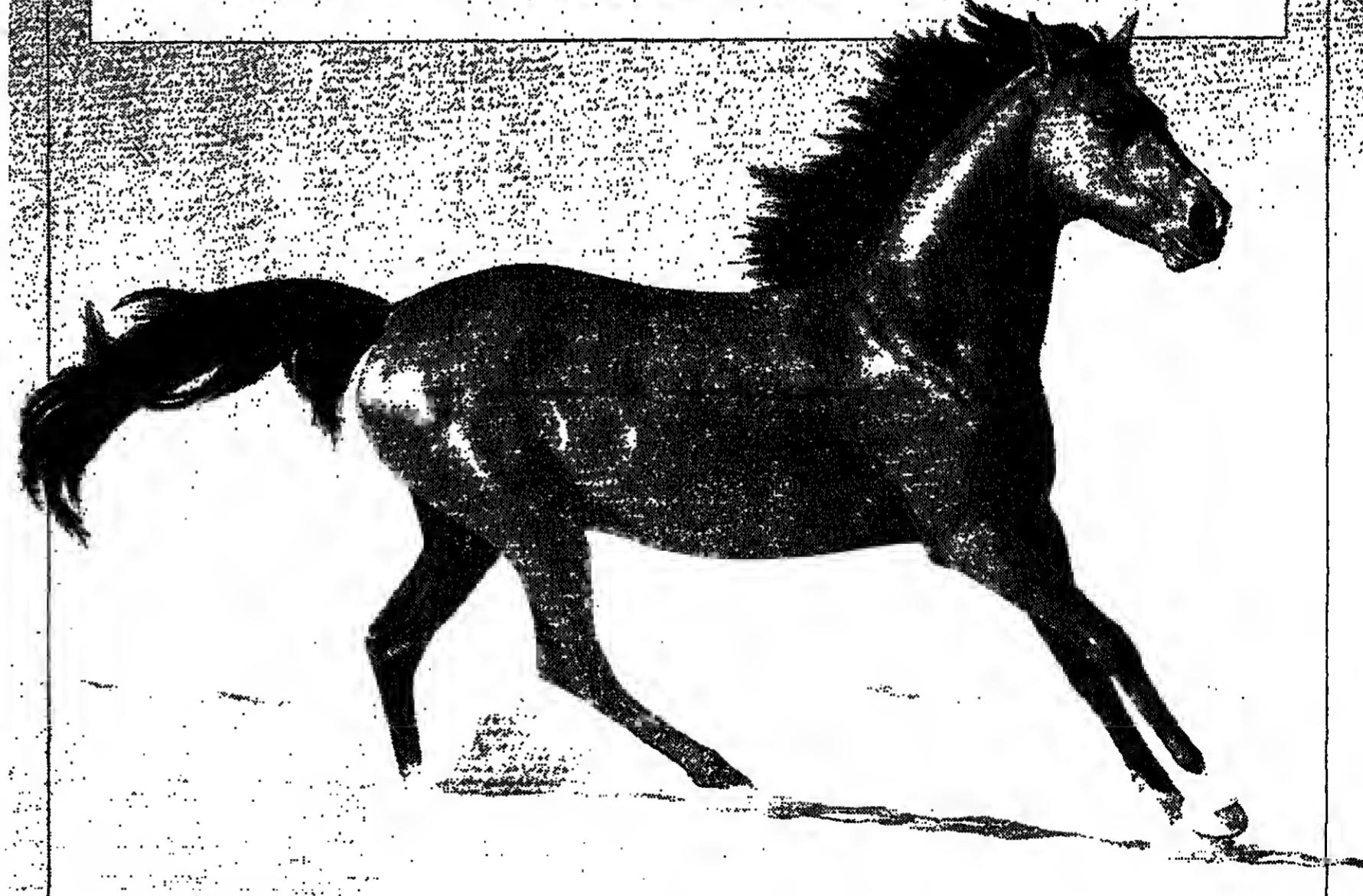
At the moment, Khuff gas fuels the Bapco refinery as well as the power plants that supply the national grid and is injected into the oil field to maintain pressure. It will be used as feedstock for the Gulf Petrochemical Industries Company, for which an \$80-million construction contract has already been signed with Snamprogetti, and as fuel for the Arab Iron and Steel Company plant that is to be built by Kobe Steel for \$221 million.

Until the LPG plant came on stream in 1980, Khuff gas was used as fuel at the Alba aluminum smelter but now much of the fuel for the aluminum industry comes from tail gas from the LPG plant — the gas that remains after the naphtha, propane and butane are stripped from the associated gas.

The \$95-million LPG plant went on stream in the first quarter of 1980, just the right time to catch the peak of the soaring LPG prices. It paid for itself in less than 18 months. Mr. Fakhro, who also heads Banaco, says that the company was making an estimated \$55 million to \$60 million a year gross profit at the peak. Although LPG prices have dropped from about \$330 a ton to about \$225 to \$250, the operation is still making money, according to Mr. Fakhro.

As Bahrain continues to set up industries based on hydrocarbons, the question arises about what it will do when those hydrocarbons run out in the next century, as foreseen. Mr. Shirawi affirms: "Remember, we are in the Gulf. All around us we have a lot of gas we can buy."

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BUSINESS / FINANCE

WEDNESDAY, JULY 7, 1982

Page 15

BUSINESS BRIEFS

American General to Acquire NLT

HOUSTON — American General said Tuesday that it has agreed to acquire NLT in a transaction worth about \$1.5 billion, ending a takeover struggle between the two insurance companies that began in April. Both boards have approved the acquisition.

Under the agreement, NLT shareholders will have the right to receive \$46 a share in cash for up to 15 million NLT shares. For the remaining 16.4 million shares, American General said it would exchange a combination of convertible securities with a market value of about \$46 a share.

On the New York Stock Exchange, American General fell 5% to close at 36¢ on a volume of about 157,000 shares, and NLT gained 1% to 39¢ on a volume of 712,000 shares.

NLT had countered an earlier American General bid of \$1.1 billion in stock with its own bid of \$676 million for 48 percent of the larger company, which has assets of about \$8 billion.

Continental-TIA Near Debt Accord

LOS ANGELES — Continental Airlines and its sister carrier, Texas International Airlines, have signed a verbal agreement with all but one of their major lenders to restructure a total of \$295 million in long-term debt, they announced.

A Continental spokesman said Monday that the airline's share of the \$295 million to be restructured is \$199 million, while Texas International's is \$96 million. Both airlines have been losing money, but Continental is considered to be in the more precarious position.

Meanwhile, Continental said it has reached a preliminary agreement to sell its 15-story office building in El Segundo, Calif., which will allow it to pay off a \$25-million short-term loan it took out in February.

U.S. Automakers' Sales Drop 12.3%

DETROIT — Sales by Ford, Chrysler and General Motors were down by 12.3 percent last month, the automakers said Tuesday, and analysts said July may have been the industry's worst month in 25 years. Sales had increased in May for the first time in the model year.

GM, which discontinued a low-interest financing offer, saw its sales fall 16.7 percent. Ford's sales were down 5 percent, and Chrysler, which offered incentives on all models, reported a 4-percent decline.

U.S. Steel Seeks Wage Concessions

PITTSBURGH — Negotiations for the United Steelworkers of America and U.S. Steel Corp. are to meet Wednesday and Thursday to study ways to moderate labor costs. The union will hold discussions with other major steel producers later this month.

The union is taking a cautious attitude toward the discussions, which it agreed to after a request last month from eight steel producers for early contract talks.

Fiat Says Group Made a Profit in '81

TURIN — Fiat made a group profit of several tens of billions of lire last year, after a consolidated loss of about 240 billion lire (\$17.8 million) in 1980, Fiat chairman Giovanni Agnelli said. Full figures will not be available for several months, he said.

But he warned that Fiat faces an unfavorable year, saying, "The continuing high level of unused capacity in many sectors in which the group operates is going to lead to an extremely tough struggle for market share." Mr. Agnelli said European markets were recovering much more slowly than expected.

Fujitsu Unveils Fastest Computer

TOKYO — Fujitsu, Japan's largest computer maker, said Tuesday it had developed the world's fastest computer. The model is classed as a supercomputer, of which there are only about 50 in operation worldwide.

A spokesman said the new Pacom VP-200 is capable of processing data at a speed of 5 million floating-point operations per second. He said the two largest makers of supercomputers, Cray Research and Control Data of the United States, have models claiming speeds of 4 million operations per second.

The new computer is intended for scientific uses, such as analysis of meteorological, biotechnological and nuclear research-related data. It will sell for \$3.1-billion yen (\$12.1 million) or lease for 69 million yen a month. Delivery is expected to begin in October 1983.

Compiled From Agency Dispatches

Acting as Middleman for Exports, Northrop Boosts Its Sales Abroad

By Dan Morgan
and Walter Finkus
Washington Post Service

WASHINGTON — On a visit to Turkey last April, officials of Northrop, the big fighter-plane manufacturer, made a dozen stops in Anatolia, where they spent a day visiting vineyards, inspecting wineries and sampling the pleasant local vintages that are little known outside the country.

That side trip led to a surprising company conclusion: Turkish wine might help Northrop sell Turkey sophisticated F-5G and F/A-18L military aircraft.

Under a proposal that Northrop is still working out, the company would guarantee to find markets in third countries for tens of millions of dollars' worth of Turkish wine, refrigerators and other products, in return for Turkey's selection of Northrop's planes over General Dynamics' F-16.

Such unconventional business arrangements, called "offsets," have become increasingly important in the highly competitive trade in costly modern weaponry.

As part of its sale of F-16s to Canada, Northrop helped line up a customer in Liberia for a Canadian maker of paper cups, and it helped Swiss companies sell elevators to Egypt and precision drills to Spain as part of a 1976 deal for 72 F-5Es. McDonnell Douglas officials say that offsets will be a key factor in whether the company succeeds in selling its long-range Harpoon missile to Canada.

The reason for this is money.

Western governments and arms manufacturers, which have invested billions in a new generation of high-priced electronic armaments, are competing aggressively to sell the new equipment abroad. But the world recession has left many prospective buyers deeply in debt and short of funds for new purchases, and the U.S. government has scaled down its military aid and credits worldwide. The possibility of offsetting the costs of buying military aircraft with revenue from new exports, or other techniques, has become a necessity.

Arms manufacturers have traditionally sweetened deals involving expensive items such as tanks and aircraft with arrangements that allowed countries buying the weapons to produce some or all of them in order to offset the costs, save foreign exchange and create jobs.

Northrop officials, however, contend that they are pioneers in marketing a customer country's products to third countries in return for aircraft sales.

Northrop initiated the technique

Proxy Contests
Gaining Favor as Takeover ToolBy Tamar Lewin
New York Times Service

NEW YORK — For Gulf Resources and Chemical it was a stunning defeat. Less than two weeks before its May 11 annual meeting, the ailing mining and chemicals concern had found out that Alan E. Clore, a British investor, was waging a proxy fight for control of the company. Almost before Gulf Resources' top executives could catch their breath, they were ousted in one of the fastest proxy contests on record.

Mr. Clore's victory and its modest price tag of \$1.5 million did not escape notice on Wall Street, where he captured the attention of many professionals and investors who rarely give faltering companies such as Gulf Resources a second glance.

In short order, mergers and acquisitions specialists along with disgruntled shareholders, began to wonder whether they, too, could take over a company with so little money and so little time.

In light of the Gulf Resources contest, many Wall Street analysts expect a new wave of proxy fights in which dissident investors, rather than trying to buy a company, will seek to take the reins from management by winning shareholder support for their policies.

"I think Gulf Resources was a tremendous eye-opener," said Stephen Schwarzman, a partner at Lehman Brothers Kuhn Loeb. "All these businesses are trying to buy companies and getting rebuffed by management, and here's this guy from Britain who moves in quickly and gets control, relatively cheaply. That deal tells you something has changed."

Most of what has changed is the business climate. Analysts believe that, as long as stock prices remain depressed and high interest rates make it difficult to finance an acquisition, dissatisfied investors, particularly those with large stock holdings, will find the proxy fight an increasingly popular tactic for winning control of a company.

In fact, a significant upturn in the number of proxy fights is already apparent, according to Georges & Co., a leading firm in the business of soliciting shareholder proxies. Its figures show that there have been 11 major battles so far this year — including Gulf Resources and the pending Global Natural Resources fight — compared with 17 in all of 1981 and the same number in 1980.

Though Gulf Resources is the most dramatic example, similar proxy wars have brought new management to several other companies. Last spring, Neil

The Rites and Rituals of the Proxy Game



Leist, 33, won control of American Bakeries, the United States' fourth-largest commercial bakery.

A few months later, after a bitter two-year contest, Michael Buchsbaum took over Holly Sugar. Last year's successful proxy fight at Penn Central was more limited. Instead of trying to gain control, dissident

(Continued on Page 16, Col. 2)

France Plans Record Aid in 1983 For State Companies, Fabius Says

By Axel Krause
International Herald Tribune

PARIS — The French government plans to allocate a record 11 billion francs (\$1.6 billion) in 1983 to finance the expansion of state-controlled companies, including those nationalized earlier this year. Budget Minister Laurent Fabius said Tuesday.

Emphasizing that the government was acting primarily as a

shareholder, Mr. Fabius told the Anglo-American Press Association that the amount was considerably more than various forms of state aid being provided this year. Ministry officials said that financial assistance being provided to recently nationalized companies during 1982 will total roughly 9 billion francs, representing the largest share of the total.

Mr. Fabius said the Socialist government is determined to maintain a "stable environment" for business expansion in both the private and state-controlled sectors.

The minister did not say how the state aid would be financed, indicating only that this would be determined as the 1983 budget is formulated.

Confirming earlier statements by government officials, Mr. Fabius said next year's budget deficit will be below 120 billion francs, equivalent to roughly 3 percent of the gross national product. In the current year, the deficit of roughly 100 billion francs will also be close to 3 percent of the GNP, he added.

He confirmed that the government is now forecasting GNP growth during 1982 of between 2 and 3 percent. A 3.3-percent growth rate had been forecast earlier this year.

The slight downward revision is in line with forecasts announced Tuesday by the Organization for Economic Cooperation and Development. France's GNP growth "could be close" to 3 percent in annual terms in the second half of 1982, OECD said in a semi-annual report on its 24 member nations.

But the growth rate will be slowing in subsequent months, perhaps falling to 2.4 percent in the second half of next year, OECD said.

Mr. Fabius said that in pursuing an austere fiscal and monetary policy, the government also will insist on cuts in internal spending. These economies, which are only now being implemented, will extend to ending first-class travel for senior civil servants.

Mr. Fabius, responding to a

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JULY 1, 1982
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Dollars Values

Per

Currency

Gold Markets

	A.M.	P.M.	Closes
Hong Kong	315.05	313.95	-1.90
Luxembourg	312.75	310.44	-2.31
Berlin (1.25 M)	312.75	310.44	-2.31
Zurich	312.05	311.50	-2.55
London	311.50	311.50	-2.55
New York	311.50	311.50	-2.55
Official figures for London, Paris and Luxembourg are approximate. Source: U.S. dealers' new service.			

U.S. Analysts Predict Wave of Proxy Fights

(Continued from Page 15)

dents sought only to block Penn Central from completing a \$1.4-billion merger with Colt Industries.

Because shareholders usually differ on what constitutes salvation, most proxy fights stir up considerable ill will. In this year's fight for control of Tosco, for example, management charged that dissident Kenneth Good, who was trying to get Tosco to pull out of the Colony Oil Shale Project, was bringing his girlfriend, the director of the Colorado Department of Local Affairs, for nonpublic information on Tosco.

By the annual meeting in May the confrontation had become so heated that Tosco management disconnected Mr. Good's microphone when he began personal attacks no company officers.

Despite the bitterness, a proxy fight is often much cheaper than conducting a tender offer who trying to take effective control of a corporation.

In asking shareholders to vote by proxy for a new slate of directors, or to oppose a management decision, the dissident shareholder must only win support of a majority of those shareholders who return their proxy ballots. The costs of waging such a battle tend to be limited to legal and advisory fees and advertising costs.

In most cases, the dissident investor has already purchased a substantial block of shares himself — Mr. Clore accumulated more than 15 percent in the seven months before Gulf Resources' annual meeting, and Mr. Good spent more than a year acquiring his 8.8-percent share of Tosco — and may

be able to win his fight merely by enlisting a handful of other large stockholders.

"Fewer people are willing to put up 100 percent in cash to get control of a company," said Brian Young, vice president in charge of mergers and acquisitions at First Boston. "In a proxy fight, the shares you do buy, you buy at close to the market price, and of course you don't have to buy as many shares as you do to get control of a company through a tender offer."

Although proxy battles can be an inexpensive way to gain control of a company, financial experts stress that they will not replace tender offers. While individual stockholders may be satisfied with taking over the board, analysts say, most corporations want to acquire, not just control, other companies. And for most large corporations, proxy fights are too long and their outcome too uncertain to be an attractive option.

The Gulf Resources fight took two weeks, but most contests involve months of battling with allegations of mismanagement and fraud bandied about in court, in newspaper ads, in mailings to shareholders. These battles are in large part, why the tide turned in favor of tender offers in the early 1960s.

"In the '40s and '50s, you had a lot of proxy fights," said Martin Lipton, a takeover specialist with the law firm of Wachtell, Lipton, Rosen & Katz. "Then in the '60s, everyone turned to tender offers, which are quicker, neater and cleaner. But for individual investors, activity in proxy fights is being significantly revived this year. Most proxy fights have been in the smaller companies, but I'd expect 10 or 12 fights this year at companies with market values over \$50 million."

The current faltering economy is a perfect environment for proxy contests. Stock prices are depressed, with many companies barely clinging to existence. And, as a general rule, proxy fights are more apt to take place in less successful companies.

"When a company is performing badly, it's easy to convince shareholders a new team would do better, even if the problems were due more to the general business climate than to bad management," said Mr. Schwarzman.

Many people believe that the market is so bad right now that, as one takeover expert put it, "nearly every company seems like a real dog." So aggressive disgruntled shareholders — Victor Posner and Carl Icahn are repeatedly mentioned as examples of the kind of investor likely to be alert to the possibility of waging a proxy fight — may find the right time to try to leverage a minority interest into control of a major corporation.

The Belgian sources said Luxembourg ministers did not raise the question of separate listing of foreign reserves, though Luxembourg — which unlike Belgium has a balance of payments surplus — is known to be sensitive about the current system.

But the communiqué did not mention separate listings. It merely expressed satisfaction at the way the two governments had consulted each other before last month's EMS realignment.

Tuesday, the Belgian franc was stable in the EMS in quiet trading. The currency was quoted at 19.111 against the Deutsche mark, compared with 19.115 Monday.

Luxembourg Told It Can't Alter Union

Compiled by Our Staff From Dispatches
BRUSSELS — Belgium has rejected a Luxembourg plan that could lead to separation of the Belgian and Luxembourg francs.

In a meeting Monday, Belgian Premier Wilfried Martens turned down a request to provide exchange-rate guarantees for Luxembourg assets held in Belgian francs, Belgian government sources said. The guarantee would have come into play if the Belgian franc was devalued but the Luxembourg franc was not.

A communiqué issued after the meeting by Mr. Martens and his Luxembourg counterpart, Pierre Werner, pledged the two nations to try to keep the Belgian franc as strong as possible in the European Monetary System. But it made no mention of Luxembourg's earlier demands for major reforms of the 60-year-old Belgo-Luxembourg Economic Union, or BLEU.

Luxembourg, which relies heavily on imports from West Germany, had pressed for the commitment of support within the EMS. Any depreciation of the linked currencies against the Deutsche mark would increase the cost of its imports and add to inflation.

Luxembourg also had said before the meeting that it wanted a separate calculation of its balance of payments and a separate valuation of its foreign exchange and gold reserves, which are held by the Banque Nationale de Belgique.

Belgium's failure to consult its small economic partner before February's 8.5-percent devaluation of the Belgian franc within the EMS was bitterly criticized in Luxembourg, which was forced to follow suit.

This gave rise to calls for reform within the economic union, and possibly even an end to the linkage of the two francs.

An end to the linkage would have posed some problems. For one thing, an appreciation of the Luxembourg franc against the Belgian franc would expose Luxembourg bankers to losses from their heavy lending in Belgium.

The Belgian sources said Luxembourg ministers did not raise the question of separate listing of foreign reserves, though Luxembourg — which unlike Belgium has a balance of payments surplus — is known to be sensitive about the current system.

But the communiqué did not mention separate listings. It merely expressed satisfaction at the way the two governments had consulted each other before last month's EMS realignment.

Tuesday, the Belgian franc was stable in the EMS in quiet trading. The currency was quoted at 19.111 against the Deutsche mark, compared with 19.115 Monday.

World Stock Prices Off Sharply in First Half

By Philip H. Wiggins
New York Times Service

NEW YORK — Prices on stock markets throughout the world were broadly lower in the first half of this year, reflecting nervous investor reaction to economic and political turmoil in several countries.

Of the world's leading stock exchanges, only the London market showed firmness and resilience.

Paris share prices fell sharply, the Frankfurt exchange is about where it was at the start of the year and the Toronto Stock Exchange closed out the ball with its biggest loss since 1940.

Experts say that one reason for the London market's strength was a substantial decline in interest rates in Britain, as shown by the three-month interbank rate, which fell to 12.4 percent in May from 17.01 percent in October of 17 percent. By June, however, reacting to the pound's slide against the dollar, the three-month rate had edged up to 13.31 percent.

Other factors sustaining the stock market in London have been an increase in productivity, substantially lower requirements for government borrowing, predicted increases of 15 percent to 40 percent in aggregate corporate profits, and the recent British victory in the Falklands, which reminded support for Prime Minister Margaret Thatcher.

Only two weeks ago, the Financial Times 30-share index of leading British companies rose to within a point of its April, 1981, record of 597.3, while the all-share index of 570 companies rose to a record 341. The market has shown weakness in recent days, however, because of a rise in U.S. interest rates and doubts about Britain's expected economic recovery.

In Paris, prices on the Bourse have fallen sharply in the three weeks since the government of François Mitterrand announced its price-wage freeze and a 10-percent devaluation of the franc against the Deutsche mark. The market dropped 7 percent in one week, to 100 from 111.

This drop, however, was not nearly as sharp as the index's decline to 83 from 121 at the election of the Socialists last spring. The market began its recovery last

summer, partly because of a modest growth in the economy and partly because of the business community's general acceptance of Finance Minister Jacques Delors.

Analysts cited several reasons for the recent weakness in French stocks. Among them were the inclusion of dividends in the four-month wage-price freeze, the continued fall of the franc against the dollar and the expectation that austerity measures will bring a loss of purchasing power.

Investors who follow the French market said that the wage-price freeze, despite its initial depressing effect, is not likely to affect the market decisively. More important, they said, will be the nature of the government's economic policy after the freeze ends.

The stock markets in Australia, New Zealand, Manila, Singapore and Malaysia suffered a market decline rooted in skepticism about the chances for any improvement in Western economies. In late April and May, these markets recovered to their peaks for the first half, before weakening from late May through the first half of June.

Hong Kong Depressed

The Hong Kong stock exchange indicator, the Hang Seng index, has been less erratic this year than last, but is still generally depressed. The market opened the year at 1,405.82, or 4.6 percent below its January level a year earlier. Through most of the first half, the Hong Kong market declined steadily, reaching a bottom of 1,165.96 on March 31 after panic selling on fears of a worsening market touched off a plunge of 56 points March 4. The market rebounded by late April to 1,300 on the index, which it has straddled since.

The Frankfurt Stock Exchange, the largest in West Germany, closed the first half about where it started. Repeating last year's performance, the market was bullish into early April, then began to trend down.

Stock analysts in Frankfurt attribute the winter spurt to strong hopes for a drop in bank interest rates. As West German interest rates edged down, two percentage points from a high last autumn, reflecting falling consumer prices and West Germany's improved balance-of-payments picture, market activity escalated and prices moved to higher ground.

Stock prices slackened, however, as predictions of a prolonged recession multiplied.

The major steel manufacturers, such as Hoehst and Thyssen, generally continued to benefit from steel price increases in Europe, while department stores were buoyed by a slight increase in consumer spending. But AEG-Telefunken, an electrical products company that has been on the edge of bankruptcy for several years, declined as prospects for reversing the company's financial plight faded.

"The key for the next half year lies in international interest rate movements," said Wolfgang Otto, head of the stocks division at Commerzbank in Frankfurt. His statement reflects a consensus among analysts on the Continent that continued high interest rates in the United States will weaken stock trading in Europe.

High U.S. interest rates were blamed for dampening prices on the Zurich Stock Exchange in the first half. Swiss analysts pointed out that the slow crumbling of stock prices was more the result of investors moving into fixed-interest, dollar-denominated securities than the result of heavy selling.

Although bounces for lower interest rates generated a slim recovery in March and April, optimism evaporated shortly thereafter and stocks retreated. Shares of machine building and machine tool companies such as Brown, Boveri and Oerlikon-Bühler, and the metals companies that supply them, such as Alusuisse, were hardest hit, as were Switzerland's watchmakers. Chemical companies, however, did moderately well.

The performance of the Toronto Stock Exchange — a crucial barometer of Canada's economic health — could best be described as dismal. The exchange accounts

for 80 percent of the country's stock transactions measured dollars.

The record of the exchange's index of 300 stocks during the first six months — down 30.09, the second worst six-month loss ever in the worst since a 32.73-point dip in 1940 — continues a period of severe problems that began in 1981. On Nov. 28, 1980, the index reached its historic peak, 2,402.63. It closed last Friday, 1,359.8, up only 4.4 from its 1980 low of 1,355.3.

Volume on the exchange through June 25 was 578.6 million shares, compared with a volume of 769.1 million through June 26 last year.

Protests Delay Bourse Trading

PARIS (Reuters) — Demonstrators from small and medium-size businesses threw smoke bombs and firecrackers in the Bourse on Tuesday. Bourse sources said they said the group was campaigning to save companies the national association for small businesses says is doomed by the price freeze.

The sources said the Bourse was evacuated and the start of trading delayed for more than an hour.

Many NYSE Stocks Dropped 35% or More in 6 Months

New York Times Service

NEW YORK — The first six months of 1982 have been bad ones for the New York stock market — so bad that the prices of 161 of the stocks listed on the New York Stock Exchange have dropped by at least 35 percent since January. Only 50 issues gained 35 percent or more in the first half.

The NYSE's five worst-performing stocks during the half were those of Texas International, Datapoint, Pengo Industries, GEO International and Flow General. Each has dropped in price by two-thirds or more since January.

Chrysler, too, has been in serious financial trouble in past years. Since 1977, the company had recorded losses totaling \$3.4 billion, and was saved from bankruptcy only by \$1.2 billion in federally guaranteed loans. But last month, Chairman Lee A. Iacocca predicted that Chrysler would earn an operating profit not only in the second quarter, but for all of 1982.

Coleco, which manufactures games and toys, announced this spring that the response to its line of hand-held electronic games was extraordinary and that shipments of its video-game system would begin this month. Coleco operates supermarkets in the Detroit metropolitan area.

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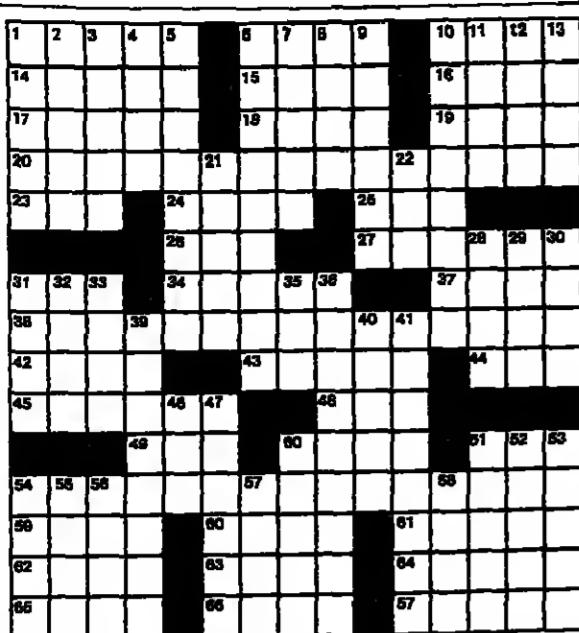
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CROSSWORD



ACROSS

- Yawned
- Early U.S. labor leader
- The Crimson Tide, for short
- Go to sleep (have a bing)
- Animated style
- Big Board's neighbor
- Fall from grace
- Opera by H. Puccini
- Ganges garb
- With 36 Across, event at sea
- Eisenberg is one
- Indefinite amount
- Julian, e.g.
- Buddhist
- Count of Monte Cristo
- Mauna—
- Raptorial sea birds
- Ross Bowl team: 1982
- See 20 Across
- 20 Across
- 22 Across
- Frame of fiction
- Cgs unit
- Actress Bernadette
- 48 Across

DOWN

- Nero's successor
- In any way
- Enliven
- Relaxation
- She played
- Tightrope Annie
- Corsettes
- Marry in haste
- Judge's bench
- Caught
- Portia's lover
- Oriental nursemaid
- Adjective for a sou
- W. W. II losers
- Gold and silver: Abbr.
- Decay
- A man with . . .
- Scorpio's tail
- Voice
- At the drop of
- Town near Bangor
- Palmist
- Markedly
- mystical man
- Rock bottom
- What to use in an emergency
- Superlative ending
- Electrical circuit diagram
- Famous puppeteer
- Walk like Long John
- in Love with Amy
- Keep — (persevere)
- Superlative ending
- Maruspian
- Domineer
- Marilyn Miller
- Kind of correspondence in math
- Maruspian
- Mavericks
- Simulacrum
- Terminal
- jeans material
- Frangipani
- Waistband
- Away from the ocean wind
- Virginia willow
- Boutique
- Of the mouth

WEATHER

	HIGH C	LOW F	HIGH C	LOW F
ALGARVE	28	62	20	61
AMSTERDAM	24	74	13	55
ANKARA	24	75	13	55
ATHENS	38	84	21	70
AUCKLAND	10	50	4	39
BESTBOCK	24	75	27	61
BEIRUT	29	84	13	55
BELGRADE	19	64	12	54
BERLIN	24	75	24	70
BOSTON	24	75	24	70
BRUSSELS	24	75	14	57
BUCHAREST	28	82	15	57
BUDAPEST	25	77	16	61
BUENOS AIRES	11	52	52	Cloudy
CAPE TOWN	22	72	13	55
CASABLANCA	13	55	9	48
CHICAGO	32	75	21	70
COPENHAGEN	17	63	11	50
COSTA DEL SOL	24	75	14	57
DAMASCUS	35	85	23	75
DUBLIN	18	54	11	52
EDINBURGH	19	64	12	52
FRANCE	22	72	13	55
FRANKFURT	24	75	13	55
GENEVA	25	75	15	59
HARARE	26	88	10	58
HELSINKI	17	63	8	46
HONG KONG	35	85	23	75
HOUSTON	25	77	14	61
ISRAEL	29	84	10	64
LAS PALMAS	24	75	14	57
LIMA	28	85	14	57
LISBON	27	81	14	57
LONDON	26	88	14	57
LOS ANGELES	27	81	16	61
MADRID	24	75	14	57
MEXICO CITY	35	85	23	75
MONTREAL	24	75	7	45
MOSCOW	24	75	14	57
MUNICH	27	81	12	54
NAIROBI	26	77	11	58
NASSAU	24	75	14	57
NEW DELHI	20	84	21	70
NEW YORK	22	72	14	57
NICE	27	81	24	70
OSLO	24	75	14	57
PARIS	27	81	12	54
PEKING	26	82	23	73
PHOENIX	21	72	12	54
REYKJAVIK	26	82	17	61
RIO DE JANEIRO	24	75	14	57
ROME	20	84	26	78
SAO PAULO	23	72	14	57
SEOUL	22	72	14	57
SINGAPORE	24	75	14	57
STOCKHOLM	20	84	19	58
SYDNEY	17	63	22	72
TAIPEI	24	75	23	73
TEL AVIV	24	75	14	57
TOKYO	21	72	13	55
TUNIS	41	82	23	73
VENICE	29	84	19	58
VIENNA	24	75	14	57
WANNAU	24	75	14	57
WASHINGTON	32	89	19	58
ZURICH	25	77	12	54

Readings from the previous 24 hours.

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INTERNATIONAL FUNDS

July 6, 1982

The net asset value quotations shown below are supplied by the Funds listed with the exception of some funds whose quotes are based on prices for the last 24 hours. The symbol (m) means monthly; (b) — bi-monthly; (q) — quarterly; (a) — annually.

BANK JULIUS BAER & CO LTD: SF 72,20 (m); (d) Connor

AMERICAN FUND: SF 77,20 (m); (d) Connor

AMERICAN INVESTMENT: SF 77,20 (m); (d) Connor

BANK VON ERNST & CH AG PB 2025 Bern: SF 19,13 (m); (d) Connor

BANK OF SWITZERLAND: SF 10,20 (m); (d) Connor

BRITANNIA: PO Box 271, 54 Heller, Jersey: SF 78,50 (m); (d) Connor

CAPITAL INTERNATIONAL: SF 22,13 (m); (d) Connor

CHARLES D. CONNOR FUND: SF 9,37 (m); (d) Connor

CHARTERED INVESTMENT FUND: SF 19,20 (m); (d) Connor

CREDIT SUISSE: SF 22,13 (m); (d) Connor

DEUTSCHE BANK: SF 19,20 (m); (d) Connor

DIET INVESTMENT FUND: SF 14,87 (m); (d) Connor

FIDELITY INVESTMENT FUND: SF 14,87 (m); (d) Connor

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SPORTS

U.S. Pro Leagues, Athletes Seem Headed for Clash on Mandatory Drug Testing

By Bart Barnes

Washington Post Service

WASHINGTON — Although mandatory testing for illegal drug use is strongly opposed by most professional athletes' unions, the management of at least one league, the National Basketball Association, says it will press for just such a requirement when it begins contract negotiations with its players association later this month.

In the National Football League, management contends it already has the authority to test players for drug use, but the players' union disagrees and says it may file formal grievances on the issue.

"It will very definitely be a collective-bargaining point in our negotiations over the new contract," said Jack Joyce, director of security for the NFL, who said he was speaking for Commissioner Lawrence O'Brien. "We'd be very much interested in testing."

Police State?

Larry Fleisher, who heads the NBA Players Association, said the union is totally against testing. "I think [Dallas Cowboy Coach] Tom Landry put it best when he said, 'We have not yet reached a police state in this country,'" said Fleisher.

Illegal drug use by professional athletes, an issue of increasing concern, has been the focus of particular public attention since the publication last month in Sports Illustrated of an account by Doc Reese, a defensive lineman who played for Miami, New Orleans and San Diego, that detailed his problems with cocaine.

Over the past several years, every major sports league

has been embarrassed by news accounts of one or more of its athletes having become addicted to or dependent on illegal drugs, and there have been suggestions that players be required to undergo periodic checks for drug use.

Essentially, debate pits the leagues' desires to maintain public confidence in the integrity and wholesomeness of their sports against the players' rights to privacy — and a presumption of innocence. Proponents of testing also argue it would identify players in need of help.

Charles Jackson, the NFL's assistant director of security and chief narcotics investigator, says the league proposes a program of regular drug testing of players in the mid-1970s but scrapped the idea in the face of militant opposition from the union.

Although the league did not pursue the issue after the union's objections, a number of clubs run regular drug checks as part of their routine physical examinations, over the objections of the NFL Players Association.

NFL ballplayers are people who have the same rights as anybody else in society, and they don't deserve to be treated as racehorses or greyhounds," says Doug Allen, assistant to NFLPA Executive Director Ed Garvey.

"We're not ever going to agree to any unanalysis or spot checking because that assumes everyone is guilty. How would you like to have to pee in a cup every morning before going to work as a sportswriter or a mailman or a doctor or a lawyer?"

Among the NFL teams to have tested players for use of illegal drugs as part of the routine physical exams are the Denver Broncos, the New England Patriots and the Dallas Cowboys.

Gil Brandt, the Cowboy vice president for personnel development, is one who favors a more ambitious program of testing. "If you brought your squad in today and you tested them, and they knew you were going to test them next Wednesday and every week after that, I'll tell you one thing: It would stop it."

"If you can get to somebody and help them, you've accomplished something."

Brandt said the Cowboys did a urinalysis on all their rookies when they reported for training camp two years ago and plan to do so again this year. But it's likely that, to be effective, any program would have to involve spot checks or weekly testing instead of a once-a-year physical, since many drugs become difficult to detect within a few days after use.

No Meeting of Minds

Whether it's done once a year or once a week, however, there is no meeting of the minds between the NFL Players Association and the league on the issue of authority to test players for drugs.

Jack Donlan, executive director of the NFL Management Council, the league's labor negotiating arm, says the current collective-bargaining agreement already gives the clubs the authority to administer such tests.

"If they want to do it more than once a year, I see no problem from a contractual standpoint," said Donlan.

Former Washington Redskins Brig Owens, now a special assistant to Garvey at the NFLPA, emphatically disagrees. Unless specifically authorized in a new contract, testing for drugs would represent a unilateral change in

working conditions and would be an unfair labor practice, he said, adding, "They'd have a lot of problems with the players."

Within the players' ranks, there are varied opinions on the issue of mandatory drug testing.

Mark Murphy, the Redskins' player representative, said, "Most players are against it... It's assuming guilt. I think it could have some benefit if the reliability was good and it was done once a year and the players knew it was coming."

Former Minnesota Vikings defensive end Carl Eller, a reformed cocaine abuser who is now an NFL consultant on drug-related issues, said he has mixed feelings about testing for drug use. "I don't think athletes should be singled out," said Eller, who admits to once having had a \$2,000-a-week cocaine habit. "But if a man is having a problem we would want to know about it and be able to help him."

In basketball, Fleisher of the NBA players association said "we'll fight it" if the league presses the testing issue in contract negotiations. The contract between the league and union expired June 1, and negotiations are expected to begin later this month on a new pact.

Last January, the issue of drug use in the NBA became the focus of public attention after Washington guard John Lucas admitted having a cocaine habit.

Asked how he would feel about mandatory testing for drug use, Bullet forward Greg Ballard said, "It's sad that it has to come down to asking the question, because I feel any kind of athlete who values his career and his life wouldn't touch the stuff."

"I'd have to be against it, because it simply shouldn't come down to that. I personally wouldn't want it because I've never dealt with drugs and I don't want anybody testing me like I had been. But if it's as rampant as some people say it is, then maybe some people need to be tested."

Marvin Miller, executive director of the Major League Baseball Players Association, said he would oppose any testing beyond a routine physical examination at the beginning of the season.

"If you're looking for something specific like illegal drugs then testing is unnecessary," said Miller. "It's like checking a horse after a race — you're being a detective then. We don't need that."

Through a spokesman, baseball's commissioner, Bowie Kuhn, commented only that, "We would consider urinalysis if it were necessary."

Hockey: 'Not a Major Problem'

Both the National Hockey League Players Association and NHL Commissioner John Ziegler said testing players for drug use has not become an issue in that sport. "We do not consider it a major problem," said Ziegler, who suspended New York Ranger wing Don Murdoch for half a season after Murdoch was arrested in the spring of 1978 — after the season was over — for possession of cocaine.

"I would not be so naive as to think that nobody has experimented," said Ziegler. "But every player knows that if he gets caught he's going to lose his right to practice his profession for a period of time."

**McGregor Beats Angels
12th Time in Row, 8-5**

Compiled by Our Staff From Dispatches

ANAHEIM, Calif. — Scott McGregor registered his 12th consecutive victory over California bears Monday night as Baltimore topped the Angels 8-5. McGregor has not lost to California since Aug. 18, 1978.

Rick Dempsey, Eddie Murray and Floyd Rayford all hit two-run home runs and Ken Singleton had two doubles and a single to drive in the winners' other two runs.

McGregor (9-6) went 3½ innings and was touched for four runs by

BASEBALL ROUNDUP:

Doug DeCinces in the second and Reggie Jackson and Fred Lynn (the latter's with a man on) in the ninth before being replaced by Don Stanhouse.

Stanhouse lasted only two batters, both of whom singled, before Tim Stoddard came on. Stoddard gave up a run-scoring single to Brian Downing before Tippy Martinez relieved and got the final two outs. The Angels have lost six straight.

Brewers 10, White Sox 4

In Chicago, Roy Howell had four hits, including an RBI single in three-run first and a bases-empty home run in the seventh as Milwaukee beat the White Sox 10-4. The White Sox committed seven errors, three by shortstop Bill Almon. It was Chicago's fifth loss in six games; the Brewers have won eight of 11 and 11 of their last 13 on the road.

Twins 5, Tigers 3

In Detroit, Kent Hrbek led off the second with a home run and John Castino capped the inning with a two-run double, leading Minnesota to a 5-3 victory over the Tigers. The Twins have lost six of their last eight games.

Braves 7, Cubs 5

In Atlanta, Glenn Hubbard hit a two-run homer in the seventh to spark the Braves to their sixth straight victory, 7-5, over Chicago. Bob Horner also hit a home run for Atlanta, which has won 22 of its last 31 games. Jody Davis and relief pitcher Lee Smith homered for the Cubs.

CFL Ready to Open Its New-Look 1982 Season

The Associated Press

MONTREAL — The Canadian Football League will open its 1982 season Thursday without Nelson Skalabina, Frank Kush, Vince Ferragamo, James Scott, Tom Conroy, Bruce Clark or the Montreal Alouettes.

What the CFL has is the Edmonton Eskimos going for an unprecedented fourth consecutive Grey Cup title; a new entry in the Montreal Concordes, and stronger teams in Saskatchewan, Calgary and Toronto.

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Leg Injury to Coe Imperils Clashes With Rival Overtt

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The Associated Press

Detroit third baseman Enos Cabell had a painful encounter with a rolled up tarpaulin at Tiger Stadium Monday night, but held onto a pop-up by the Twins' Randy Johnson. Minnesota won, 5-3.

Italy, Brazil: Hail, Farewell

International Herald Tribune

BARCELONA — It feels like losing a friend, one who has insisted on giving, giving, giving but who has taken little in return.

Brazil is out of the 1982 World Cup. The team that restored the old values of soccer as a players' game is gone even before the semifinals. And we have to admit it: Italy, which knocked Brazil out Monday, deserved, that day, to do it.

There is no doubt that this World Cup is an extraordinarily contrary tournament. The odds against Italy, Poland, West Germany and France producing Thursday's four semifinalists

ROB HUGHES

would, before the event, have been as likely as Leonid Brezhnev and Ronald Reagan becoming blood brothers.

Brazil's fall was at least in character with all it had achieved hitherto. By playing with unrestrained attack, it lifted every opponent to response in kind. And by leaving its own goal relatively unprotected it played with a cavalier, almost Corinthian risk.

"I already said Brazil could be beaten," said Tele Santana, the coach who liberated its style, "and now you have seen the result. My players had freedom to play with creativity as they saw fit. We started in 1980 to choose the best players in Brazil, and you saw the way we played.... But one has to win."

The victory ethic is the final judgment on a team's value, although I believe that, for once and even in these times, the soccer world knows Brazil has cleaned the sport's whole image, has reaped far beyond its shores the love of attacking play that had stagnated under negative coaching.

How Could It Lose?

So how could it lose — and lose to Italy, whose sterile defensive had only survived the first round on a technicality against Cameroon?

Foremost, because of the Italians' sheer courage. Here is a nation that has long submerged its beautiful talents beneath a defensive neurosis and a cynical will to kick the opposition into surrender. But Italy deserved us all.

It beat Argentina by attacking in the second half and it beat Brazil by attacking almost from the start. It is almost as if the Italians have to be forced to use their unquestioned skills.

The header did not cross the line, "said Italy's goalie and captain. "I saved it. I know it did not cross the line. So the big, black, erratic spearhead, was partly responsible. He looks what he is, a substitute, Brazil's real scorer, Reinado, is back home, a near-crip, after nine knee and ankle operations. His name of 15 million could find no adequate replacement.

None, certainly, that could beat Dino Zoff three times. Twice they did so, on marvelous goals from Socrates and Roberto Falcao, but the third would not come. Not even when defensive anchorman Oscar came up in the dying moments to send in a thrashing header that the Brazilians claimed was over the line before Zoff, with unbelievable reflexes for a 40-year-old veteran, dived on the ball.

The header did not cross the line, "said Italy's goalie and captain. "I saved it. I know it did not cross the line." Zoff drew heavily on a cigarette, he always does, and says that, as if ordering the groceries, "The last two games form part of Italian soccer history."

Marco Tardelli
... Italy's first inspiration

Marco Tardelli was Italy's first great player. He is intelligent. He knew how to find the gaps, how to get into the spaces we left. And he punished our mistakes." Some say that Brazil's soccer is too naive, that the charges of fullbacks Laandro and Junior leave those gaps.

They do, of course, but the philosophy that has thrived millions who thought the game was dying to outscore opponents, and Laandro and Junior, one playing almost as a winger the other as an inside forward, are integral links in that ambition. They stretch, they surprise — and if we loved them for it last week, why criticize them now?

Casual Historian

Where the adventure was lost was not in the goals conceded but in those Brazil failed to score. Scrimino, the big, black, erratic spearhead, was partly responsible. He looks what he is, a substitute, Brazil's real scorer, Reinado, is back home, a near-crip, after nine knee and ankle operations. His name of 15 million could find no adequate replacement.

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Broken Glasses

Not taking history, nearly so emotionally, was Zoff's boss Enzo Bearzot, Italy's long-suffering manager, crossed paths with Santana as the Brazilian coach was leaving an interview room and Bearzot was entering.

Bearzot hugged the beaten adversary in a way we would all have liked to. Even an Italian, and especially Bearzot, loved Brazil's World Cup.

But the Italians do show their feelings in a physical way. At Monday's final whistle

OBSERVER

Shrinking Justice

By Russell Baker

NEW YORK — For an exercise in legal absurdity it would be hard to improve on the trial of John Hinckley. Having shot the president, been taken into custody, advised of his constitutional rights and afforded legal counsel, Hinckley was examined by squadrions of psychiatrists to determine his state of mind at the time of the shooting.



Baker

spell, no matter what his mental state at the moment of the crime. The insanity defense made more sense when capital punishment was commonplace, if only because there was something socially repugnant about hanging the mentally ill. This was a decision which ought very wisely have been left to the conscience of the community as embodied in a jury.

In the Hinckley case though, as in almost all insanity pleas nowadays, the law was not consulting the conscience of the community; it was asking a jury of laymen to settle a highly technical question.

The great delicacy that the law accorded Hinckley, as well as the huge expense it shouldered in his trial, again reminds us of how the law's concern for felons tends to belittle the suffering of their victims.

If they are beaten in a mugging and their assailant is caught, they create a nuisance to the overburdened court system and may find some irritated prosecutor telling them he's reduced the beating charge to something more trivial through pugil bargaining. In cases that go to trial, victims often end up wishing they hadn't even mentioned their problems to the law.

Assault victims may find themselves confronted with insinuations of low character that invites assault. Rape victims may find themselves subjected to degrading cross-examination about their sexual histories.

The old principle followed by criminal lawyers with difficult murder cases to defend was "try the victim." As a reporter, I covered a few such cases. It was fascinating to observe how the dead party, long in his grave, lost the sympathy of the courtroom as the terrible plight of the murderer engaged everyone's attention.

The law's passion for giving the accused every possible opportunity to clear himself is doubtless a fine thing and has probably saved some innocent citizens from unjust abuse. I'd probably be delighted if I were accused of a crime I hadn't committed. On the other hand, if I were the victim of a crime, I'd rather not let the law know about it unless it was truly awful. It isn't easy being a victim nowadays, especially if you insist on making a fuss about it.

New York Times Service